Daily Report

Latin America

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CONTENTS

NOTICE TO READERS: An * indicates material not disseminated in electronic form.

CARIBBEAN

Cuba

Reportage on U.S Downing of Libyan Fighters 1
Soviet Press Cited *[Havana Radio]* 1
Libya Presents Appeal to UN *[Havana Radio]* 1
Libyan Military Mobilizing *[Havana Radio]* 1
More on Revolution Celebration, Activities 2
Jakes Tours Genetic Institute *[Havana TV]* 2
Talks With GDR's Sindermann *[East Berlin ADN]* 2
Risquet Meets PLO Delegation *[Havana TV]* 2
Delegations Tour Hospital *[Havana TV]* 3
Castro Holds Reception *[Havana TV]* 3
Guyanese Leader Sends Message *[Havana TV]* 3
Castro Receives GDR Official *[East Berlin ADN]* 3
Castro, SFRY's Racan Meet *[Belgrade TANJUG]* 4
Womens Federation Message *[Havana Radio]* 4
Castro, Cardinal Etchegaray Meeting 'Cordial' *[Havana Radio]* 4
Raul Castro's Recent Activities Reported 4
Congratulates FAR *[Havana Radio]* 4
Concert Hall Inauguration *[Havana TV]* 4
Presides Over Awards Ceremony *[Havana TV]* 5
Chilean Group Condemns Intellectuals' 'Maneuver' *[Havana TV]* 5
Commentary Notes Efforts To Improve Democracy *[Havana International]* 6

Jamaica

Seaga To Announce Election Date 15 Jan *[CANA]* 6

MEXICO

PRI Votes Pass Federal Expenditure Budget *[EXCELSIOR 29 Dec]* 7
Government Outlines 1989 Revenue Sources *[THE NEWS 30 Dec]* 7
Foreign Investment Reportedly Up 119 Percent *[EL DIA 28 Dec]* 7
Government Buys Radar To Detect Drug Flights *[EL DIA 31 Dec]* 7

CENTRAL AMERICA

Costa Rica

Arias Undergoes Surgery for Skin Cancer *[ACAN]* 8
Security Minister Denies Meeting With Noriega *[San Jose Radio]* 8

El Salvador

FMLN General Command's Year-End Message *[Radio Venceremos]* 8
Defense Minister Assesses 1988 Actions *[San Salvador TV]* 12
Armed Forces Transfers, Promotions Reported *[LA PRENSA GRAFICA 3 Jan]* 13
FMLN Reports Recent Clashes, Army Casualties *[Radio Venceremos]* 13

Guatemala

President Dismisses Police Director General *[ACAN]* 13

Nicaragua

RN Coalition Peace Proposal Published *[LA PRENSA 31 Dec]* 13
Ortega To Discuss Peace Zone, Human Rights *[Prague CTK]* 15
Chamber of Commerce President Views Economy *[Managua Radio]* 15
Union Leader Comments on Production Decrease *[LA PRENSA 28 Dec]* 16

Panama

Delvalle Reportedly Sends Proposal to Noriega *[Hamburg DPA]* 17
Opposition Leaders: No Decision on Elections *[Panama City TV]* 17
Civic Crusade Urges Participation in Elections *[Panama City TV]* 18
CCN Leader Comments *[Panama City TV]* 18
Solis Palma Denies Union Request on Taxes *[LA ESTRELLA DE PANAMA 1 Jan]* 19

SOUTH AMERICA

Bolivia

Congress To Decide on U.S. Military Support *[La Paz Radio]* 20
Yearly Inflation Rate Reported at 21.5 Percent *[La Paz Radio]* 20

Colombia

Two U.S. Missionaries, Colombian Kidnapped *[Bogota TV]* 20
Banks To Refinance Foreign Debt With New Loan *[Madrid EFE]* 20
Planning Department Releases '88 Economic Figures *[Bogota TV]* 20
DAS Highlights 1988 Antidrug Efforts *[LA PRENSA 25 Dec]* 21
Confiscates Marijuana *[EL TIEMPO 24 Dec]* 21

Ecuador

Students Demonstrate Against Higher Prices *[Quito Radio]* 21
Government Closes Diplomatic Legations *[Quito Radio]* 21
Cocaine Found on Board Eastern Airlines Plane *[EL UNIVERSO 19 Dec]* 21

Peru

Economy Minister Addresses Nation on'89 Program *[Lima TV]* 21
'Controversy' Over Fishing Contract With Soviets 29
Judge Suspends Contract *[Lima TV]* 29
Judge's Action 'Null and Void' *[Lima TV]* 30
Minister on Reestablishing Civilian Officials *[Madrid EFE]* 30
Palomino Installed as New Joint Staff Chief *[Lima TV]* 30
New Supreme Court President Sworn In *[Lima TV]* 30

Cuba

Reportage on U.S Downing of Libyan Fighters

Soviet Press Cited

FL0401154389 Havana Radio Reloj Network in Spanish 1521 GMT 4 Jan 89

[Text] U.S. warplanes today shot down two Libyan fighter planes in the Mediterranean, said a Pentagon spokesman.

The aggression by F-14 fighters from the aircraft carrier "Kennedy" was expected, despite soothing speeches by White House spokesmen who said that the naval movement near the Straits of Gibraltar had nothing to do with the threats made against Libya.

The Soviet press said that the U.S. actions are to distract world attention from the latest disarmament proposals made by the USSR and to reinitiate diplomacy with aircraft carriers. The newspaper PRAVDA, official organ of the CPSU Central Committee, said that it is not by chance that the U.S. chose Libya as the object of their interference when they say that Libya is an enemy which must be fought with all their means [as heard], the excuse they use to send their powerful naval force to the Mediterranean.

Libya Presents Appeal to UN

FL0401174189 Havana Radio Reloj Network in Spanish 1719 GMT 4 Jan 89

[Text] Libyan radio today confirmed that two planes from that country were (assaulted) and shot down by U.S. fighter planes over international waters. Libya has presented an appeal to the UN Security Council for that action.

Radio Tripoli added that the two Libyan planes were conducting a routine reconnaissance flight when they were attacked by two U.S. planes which had taken off from the aircraft carrier "Kennedy."

The USSR had warned the U.S. about any attack on Libya, who the United States accused of building a chemical weapons factory, because that would be an assault on security in the Mediterranean.

For his part, Libyan Ambassador to Italy Abd al-Raham Shalqam said that his country is willing to have an international inspection of what the U.S. calls a chemical weapons factory to prove that it is a pharmaceutical industry.

Libyan Military Mobilizing

FL0401195789 Havana Radio Rebelde Network in Spanish 1800 GMT 4 Jan 89

[Text] Libyan leader Mu'ammar al-Qadhdhafi, after having two of his country's planes shot down by U.S. Navy F-14 aircraft from the aircraft carrier "John F. Kennedy," stressed that this challenge will be met by another challenge.

In a brief report on the Libyan news agency JANA, Al-Qadhdhafi said that the United States, a great power which has air and sea supremacy, will be defeated on Libyan soil. The Libyan Ministry of Foreign Affairs reiterated that the two planes shot down by U.S. fighters were on a routine reconnaissance flight over the Mediterranean. The report added that the Libyan delegate to the United Nations has been instructed to file an urgent complaint with the UN Security Council against the U.S. assault on the Libyan planes.

The Yugoslav press agency TANJUG said that Libya has taken strong military precautions after the U.S. fleet began maneuvers in the Mediterranean which resulted in the downing of two Libyan MiG's. According to TANJUG, Libyan reserve forces have been mobilized and military planes have been reloctated from their bases in the Mediterranean zone to areas in the Saharan Desert to stop a U.S. aerial incursion from causing important strategic damage in Libya.

Artillery batteries have been set up at key intersections of Tripoli, the Libyan capital, and at Mu'ammar al-Qadhdhafi's residence. His residence was attacked by U.S. aircraft on 14 April 1986, resulting in the deaths of several relatives, including an adopted daughter.

With the definite possibility of a larger assault against Libya, the secretary general of the Arab League, Chedli Klibi, demanded that the U.S. put an end to their provocative acts in the vicinity of the Libyan coast and warned that all escalation will have ill-fated consequences on U.S.-Arab relations. Klibi stressed that the shooting down of the two Libyan fighters constitutes an extremely grave act of aggression which is dictated by Washington's erroneous perception of their role in solving international problems.

As a result of today's aggression against the Libyan planes, Italian defenses are in a state of alert. They are reinforcing naval and aerial electronic surveillance in the Mediterranean area.

Diplomatic sources in Washington said that the new incident between the U.S. and Libya is in accordance with Ronald Reagan's threat to attack the North African nation under the argument that Libya is building a chemical weapons factory, an accusation completely denied by Mu'ammar al-Qadhdhafi.

More on Revolution Celebration, Activities

Jakes Tours Genetic Institute

FL0301192589 Havana Tele-Rebelde Network in Spanish 1800 GMT 3 Jan 89

[Text] The secretary general of the Czechoslovak Communist Party, Milos Jakes, this morning visited Havana's Genetic Engineering and Biotechnology Institute.

Along with Pedro Miret, member of the PCC Politburo, and the official delegation he heads, Milos Jakes received detailed information on the scientific institute's characteristics and objectives.

Manuel Limonta, director of the center, told the distinguished visitor that the institute was founded in 1981 when interferon production began in Cuba. Since then, with the attention of the commander in chief, the institute has had increased developments in its scientific activities.

Presently, Limonta said, important vaccines are being produced at the center. The institute is also producing, among other substances and medications, 10 new proteins and 35 types of enzymes.

Milos Jakes was interested in the selection and origin of the researchers and in the center's salary policy, as well as other aspects regarding the center. The Czechoslovak delegation toured the institute's laboratories and other facilities.

Talks With GDR's Sindermann

LD0301230289 East Berlin ADN International Service in German 2000 GMT 3 Jan 89

[Text] Havana (ADN)—The GDR party and state delegation headed by Horst Sindermann, member of the Politburo of the SED CC, deputy chairman of the State Council, and president of the GDR People's Chamber, which is visiting Cuba, had a meeting with more representatives of the Cuban state and party leadership. Speaking to Jorge Risquet, member of the Politburo and secretary of the PCC Central Committee, the GDR politician today stressed the fundamental agreement between the two parties and states in their joint struggle for peace, disarmament, and development. The active contribution being made by socialist Cuba to the improvement of the international situation is greatly appreciated by the GDR. Horst Sindermann paid tribute to the numerous activities by Cuba in Latin America, which are aimed at the development of a broad political dialogue in the interests of solving such problems as foreign debt.

Appreciation and support are also being given to the flexible and responsible actions by Cuba to bring about a political solution in Southwest Africa.

The main focus of the meeting with Severo Aguirre, president of the Cuban National Assembly, member of the PCC Central Committee, was the work of the two countries' supreme legislative bodies. Both sides agreed that the ever broader spreading of socialist democracy and the direct involvement of the workers in the solution of general social problems are an important basis for the successful progress of socialism.

On the same day the GDR delegation, together with other foreign delegations, visited the orthopedic hospital 'Frank Pais' in Havana. In the reception room there were cordial meetings between Horst Sindermann and the heads of other delegations who are in Cuba for the anniversary of the victory of the revolution in Cuba. Sam Nujoma, president of the South-West African People's Organization, expressed thanks for the support of the GDR, which thus contributed to the political settlement in Southwest Africa. Horst Sindermann reaffirmed the solidarity of the GDR with the struggle of the Namibian people.

The director of the hospital, Professor Rodrigo Alvarez, said that the GDR has given a great amount of help, particularly in the training of doctors, technicians, and other specialized staff.

Risquet Meets PLO Delegation

FL0401034289 Havana Television Service in Spanish 0100 GMT 4 Jan 89

[Text] Jorge Risquet Valdes, member of the PCC Central Committee Politburo, met in Havana with the PLO delegation which was invited to attend the festivities marking the 30th anniversary of the triumph of our revolution.

Sulayman Najjab, member of the PLO Executive Committee heading the delegation, attended the meeting. 'Imad Jada'a, Palestinian ambassador to Cuba, and other PLO leaders are also included in the delegation.

Aspects of the current Palestinian situation were discussed during the meeting. The progress made by the PLO was highlighted as a reflection of the peoples uprising against Zionist aggressions. The PLO's progress was also noted as being a reflection of international support for the Palestinian cause and of the constant and patient struggle of that people in trying to repulse the Israeli invador and attain its self-determination.

[Begin recording of unidentified speaker in vernacular with simultaneous Spanish translation] This is a gift [video shows Palestinian official holding vase] from the Palestinian leadership and from Comrade Yasir 'Arafat to Comrade Fidel Castro and the Cuban leadership, as a historic (?gift). Many Palestinians (?have) the name of Castro and have Fidel's picture in their homes. It is a symbol of the revolutionary struggle, love to the fatherland, and internationalism. [end recording]

Delegations Tour Hospital

FL0401044089 Havana Television Service in Spanish 0100 GMT 4 Jan 89

[Text] Delegations from over 10 Latin American and Caribbean countries have visited the Miguel Henriquez teaching hospital as part of the activities scheduled for the 30th anniversary of the revolution.

The leadership council of the hospital, headed by Director Francisco Caballero, welcomed the visitors. The Latin American and Caribbean visitors showed particular interest in learning about developments in the field of health in Cuba, especially in this center which was recently inaugurated.

[Begin Francisco Caballero recording, identified by caption] We warmly welcome you to our center which greets you as if you were part of (?it). We have awaited your visit with excitement. At this moment, we will be going to the theatre hall where we will give you a brief (?overview) of the main achievements of public health in Cuba. [applause] [end recording]

During the tour of the hospital the visitors were informed that this beautiful and humane work has very sophisticated equipment, from a medical and clinical point of view, for the use of all those persons who may need it. Dr Caballero also informed them that the center occupies an area of over 40,000 square meters.

Castro Holds Reception

FL0401140789 Havana Tele-Rebelde Network in Spanish 1200 GMT 4 Jan 89

[Text] Commander in Chief Fidel Castro, first secretary of the PCC Central Committee and president of the Councils of State and Ministers, gave a reception in honor of the foreign delegations that were invited to the celebration marking the 30th anniversary of the triumph of the revolution.

The first person to receive a greeting from the commander in chief was Milos Jakes, secretary general of the Czechoslovak Communist Party, who has been in our country since 2 January. He heads the official delegation of that brother country.

Later, Commander of the Revolution Daniel Ortega, coordinator of the FSLN and president of the Republic of Nicaragua, received an embrace from the supreme leader of our revolution.

Sam Nujoma, president of Namibia's SWAPO [South-West African People's Organization], also attended the official reception.

Further on, other personalities from around the world who were invited to the celebrations exchanged greetings and congratulations with the commander in chief and other members of the Politburo.

Over 700 representatives of state, organizations, and political parties from all continents have traveled to Cuba to share with our people the celebration of 3 decades of the triumph of the revolution.

The first secretary of the PCC spoke with the members of the delegations present at the meeting for over 1 and ½ hours.

Guyanese Leader Sends Message

FL0401142389 Havana Tele-Rebelde Network in Spanish 1200 GMT 4 Jan 89

[Text] The president of Guyana, Desmond Hoyte, said that Cuba is proudly set in the international community. This affirmation is in a congratulatory message sent to Cuban President Fidel Castro for the 30th anniversary of the triumph of the revolution.

The letter states that our country is constantly fighting for peace and international security based on our respect for independence and sovereignty.

Hoyte's message, after noting Fidel's wise and dedicated leadership, wishes the supreme Cuban leader new successes in strengthening and developing our nation.

The Guyanese leader also said that he hoped 1989 would be a year of progress for the Cuban people and revolution.

Castro Receives GDR Official

LD0401182789 East Berlin ADN International Service in German 1534 GMT 4 Jan 89

[Text] Havana (ADN)—In the words of Fidel Castro, cooperation between Cuba and the GDR is developing in a stable and planned manner and to mutual benefit. Cuba acknowledged the GDR's reliable support for the building of the first socialist state of America, said the Cuban state and party leader on Tuesday (local time) in Havana during a meeting with the GDR People's Chamber President Horst Sindermann.

Sindermann congratulated Castro on his principled speech to mark the 30th anniversary of the victory of the revolution. Cuba's respected place in the world and its profoundly internationalist work were reflected in the participation of leading representatives of over 100 countries in the celebrations to mark the revolution. In the GDR that event would be celebrated with numerous festive events, especially in the production centers employing Cuban workers.

During a meeting with Sindermann on Wednesday, Nicaragua's President Ortega expressed thanks for the rapid and effective aid given by the GDR to the population affected by Hurricane Joan. Great respect and appreciation was accorded to Erich Honecker's personal contribution to the international support for the Sandinist revolution. The solidarity and alliance of the GDR working people represented important aid in the determined struggle of new Nicaragua, which is steadfastly defending its independence and autonomy.

Sindermann praised Nicaragua's flexible foreign policy actions in bringing about a political solution in Central America. He expressed the hope that with the forthcoming summit of the region's five presidents steps for real detente would be taken. Sindermann assured that the GDR will continue to stand at the side of the Nicaraguan people in close alliance.

The same day, Horst Sindermann and Carlos Rafael Rodriguez, member of the CCP Central Committee Politburo and deputy chairman of the Councils of State and Ministers, discussed social development in the two countries and future cooperation between the two parties and states.

Castro, SFRY's Racan Meet

LD0501094489 Belgrade TANJUG Domestic Service in Serbo-Croatian 0801 GMT 5 Jan 89

[Text] Havana, 5 Jan (TANJUG)—Cuba's state and party leader Fidel Castro last night in Havana met Ivica Racan, member of the LCY Central Committee Presidium, for a lengthy and friendly talk on international and bilateral issues.

On this occasion Ivica Racan extended to Fidel Castro the Yugoslav state and party leadership's greetings on the 30th anniversary of the triumph of the Cuban Revolution [words indistinct] Cuban leader informed the head of the Yugoslav delegation to the celebrations in Havana about Cuba's views on the situation in southern Africa. He expressed a certain amount of concern over the course of the UN negotiations on international guarantees for Namibia's full independence. During the 1-hour conversation, Castro and Racan also discussed the situation in the Nonaligned Movement and assessed its role in the efforts to positively resolve present-day problems. [words indistinct] that Yugoslav-Cuban relations are developing successfully in (?various) spheres, in particular in the sphere of economic cooperation.

Castro and Racan also [words indistinct] situation in the international workers' movement and new experiences in resolving the problems of socialism. [passage indistinct]

Womens Federation Message

FL0301204789 Havana Radio Reloj Network in Spanish 2002 GMT 3 Jan 89

[Text] The Federation of Cuban Women [FMC] leadership in Santiago de Cuba has sent a congratulatory message to our Commander in Chief Fidel Castro on the occasion of the 30th anniversary of the triumph of the revolution and on the new year. In the message, the Santiago de Cuba FMC members indicate that, once again, they ratify their decision to move toward the conquest of new and higher goals with the aim of building socialism.

The Santiago de Cuba FMC members will also be paying tribute to the National Revolutionary Police [PNR] with a schedule of activities which is highlighted by the presentation ceremony of the 23 August banner.

In the various Santiago de Cuba municipalities, the base organizations of the FMC will also pay tribute to the PNR members.

Castro, Cardinal Etchegaray Meeting 'Cordial'

FL0401133389 Havana Radio Progreso Network in Spanish 1200 GMT 4 Jan 89

[Text] This weekend, President Fidel Castro received French Cardinal Roger Etchegaray, president of the Pontifical Commission of Justice and Peace.

Fidel and the high-ranking papal representative held a private meeting for several hours. The visitor said that the meeting was very cordial. The high prelate of the Catholic Church was in Cuba for a 10-day pastoral visit.

Raul Castro's Recent Activities Reported

Congratulates FAR

FL0301124789 Havana Radio Progreso Network in Spanish 1200 GMT 3 Jan 89

[Text] BASTION, official organ of the FAR, publishes a message in its latest edition from Army General Raul Castro to all the members of the FAR.

The message is sent on the occasion of the 30th anniversary of the Cuban Revolution and the New Year, 1989.

The text recalls the beautiful pages written by the FAR in the struggle against the enemy, as well as in the practice of internationalism which has found its highest expression in several battles in Angola.

Later on, Raul writes: Under the leadership of the PCC and Fidel and with the conscious and enthusiastic participation of our people, the country's defensive capabilities were substantially elevated in 1988 in accordance with the concept of the war of all the people.

The message then says: On this 30th anniversary of the triumph of the revolution and the advent of a new year, we convey to you on behalf of the commander in chief and myself the warmest congratulations and best wishes for success in the fulfillment of the tasks with which you have been entrusted.

Concert Hall Inauguration

FL0301145289 Havana Tele-Rebelde Network in Spanish 1200 GMT 3 Jan 89

[Text] Army General Raul Castro Ruz, second secretary of the PCC Central Committee and FAR minister, was at the inauguration of the Dolores Concert Hall in Santiago de Cuba.

An important event took place in Santiago de Cuba as a salute marking the 30th anniversary of the revolution's triumph. Raul Castro, second secretary of the PCC

Central Committee and FAR minister, was at the first performance in the Dolores Concert Hall. The hall has already been classified as the concert hall having the best acoustic quality in the nation by prestigious personalities of our national culture.

Accompanied by the supreme leaders of the provincial PCC and government, the full and alternate members of the Politburo, Secretariat, and the Central Committee also enjoyed the concert. The hall is located in the interior of the old Dolores church which was destroyed by a fire 11 years ago.

At this inaugural performance, Maestro Frank Fernandez and the Oriente Symphony Orchestra gave their interpretations of works by Beethoven, (Gonzalez Mantizzi), (Sindo Garay), and Frank Fernandez himself.

The Orfeo Santiago and Madrigalista choruses, as well as students of the Esteban Salas Conservatory, also performed.

[Begin Castro recording] I would like to thank the symphony, the [words indistinct], the Madrigal chorus, and the students of the conservatory, who are not present. Of course, I would also like to thank (Alecto Anareli) and our dear and admired Maestro Frank on behalf of us—I'll say in this case—veterans, who, 30 years ago, after 7 years of uninterrupted war, entered victoriously into this city.

I should also say that, to all of the emotions of this 1 January—in its 30th anniversary—are added my childhood memories of when I went to boarding school for 7 years in that school next door. I think the school is now called Mendibe, right? It's named after Rafael Maria Mendibe.

This is the church that belonged to that school. For 7 years, as a student with the Jesuits, I heard hundreds, maybe thousands, of masses in this very church which was characterized, before the fire that destroyed it, by its great acoustics. Just as you were heard in the back when you spoke here without raising your voice, in those days when the priest spoke he was heard throughout the whole church.

Perhaps the aisle seemed longer to me back then, because when you are young things appear to be larger.

Today you made it possible for me, and all of those present at this performance, I'm sure, [changes thought] you have spiritually entertained our souls.

Thank you very much. [end recording]

Presides Over Awards Ceremony

FL0301133289 Havana Tele-Rebelde Network in Spanish 1200 GMT 3 Jan 89

[Text] Army General Raul Castro, member of the PCC Politburo of the Central Committee and FAR minister, has given awards to a group of people from Santiago who distinguished themselves in the areas of production and defense.

Also present at the solemn ceremony were Esteban Lazo and Vilma Espin, members of the PCC Politburo. The awards were given at the municipal headquarters of the people's government.

In total, 42 Combatant of Production and Defense medals and 11 Distinguished Ready in Preparation for Defense awards were given to the Executive Committee of the provincial people's government, members of the Provincial Defense Council, the PCC first secretaries of the nine municipalities, and leaders and chiefs of the General Staff and Ministry of the Interior of Santiago de Cuba.

[Begin recording] [Castro] I do not plan to talk too much in these days which are so full of justifiable emotion; especially after that magnificent speech given by the commander in chief which, I assume, left all of you like this [video shows Castro gesturing with his hands] with happiness. Is this not so?

[Unidentified men respond simultaneously] Yes!

[Castro] I was left like that too. I am not only speaking to those from Santiago but, as he said, to all of the heroic eastern provinces, including Camaguey, which forms part of the First Eastern Army, for the great contribution you have made not only in the defense of our nation but also, as the chief said yesterday, for the nation itself.

In this world of confusion in which we live, using the term that he used yesterday, it is more important than ever to remember our history until [words indistinct] which would lead to ideological breakup; a transitory crisis for the global socialist system we belong to.

I only wanted to be here, in addition to giving you these awards from the state and the armed forces bestowed by the chief of the Eastern Army, to tell you that because of the existing situation—the easing of tension between the great powers and the role, even though we may not want it because of our modesty, that our revolution plays because of its principles in the international cadre—we have no choice but to become stronger. [applause] [end recording]

Chilean Group Condemns Intellectuals' 'Maneuver'

FL0401041789 Havana Television Service in Spanish 0100 GMT 4 Jan 89

[Text] Today in Havana the Chilean Committee for Solidarity issued a declaration condemning the clumsy maneuver by a small group of intellectuals from several countries and by stateless people of Cuban origin for making a parallel between the [word indistinct] regime of Augusto Pinochet in Chile and the Cuban Revolution.

[Begin recording of Miguel Beitran, president of the Chilean Committee for Solidarity, identified by caption] We, the Chileans, who all these years have received the

solidarity of the people of the world, and in particular of the Cuban people, reiterate our appreciation and feelings of solidarity toward this brother nation. This (?brother country) today is being attacked by the same people who in Chile were able to halt the democratic process by overthrowing the constitutional government of President Salvador Allende.

We also reiterate our recognition of Comrade Fidel Castro as one of the most outstanding leaders of our time, whose actions have (?earned) him the appreciation and respect of the peoples of the world. This is a respect which will not be stained by a group of intellectuals that has been turned into the echo of the empire's propaganda apparatus. [end recording]

Commentary Notes Efforts To Improve Democracy
PA0401020889 Havana International Service in Spanish 0000 GMT 3 Jan 89

["Our America" commentary by Manolo Ortega]

[Text] In addition to our serious efforts to improve our economy, Cubans want to improve socialist democracy during the present year. The year 1989 is an election year. We will elect the next delegates to the municipal assemblies of the people's government in April. These persons are elected for a 2-and-1/2-year term. In accordance with the Cuban Constitution, the delegate's election is convoked 6 months prior to the event. This is enough time for citizens to study the candidates. The candidates do not hold proselytizing campaigns. The candidates' biography and day-to-day actions are enough to show their merits to voters. The voters will choose their municipal government organizations representatives, who will be elected by a majority of votes.

All the island's inhabitants will participate in the elections on an equal basis, as is established by the existent constitution that was proclaimed on 24 February 1976. The people voted for the country's constitution in a referendum held on 15 February 1976. In that referendum, 97 percent of the Cubans approved the basic document that would govern the country's destiny.

From that moment, the structures of the people's power have been strengthened every year to give shape to a system for the people's participation according to the Cuban experiences and traditions. Our democracy cannot be similar to democracy in developed capitalist societies, which grew by sacking the world and which distorted society by squandering resources. As a Third World country, Cuba pursues other objectives, based on various concepts closely linked to our particular conditions, to attain economic, political, and social development. Obviously, people feel they are an active part in this process, and a way to show this is the strong people's organizations composed of workers, peasants, women, and other segments of the population. Although the contradiction between people and power disappears in the socialist system, this does not mean Cubans no longer criticize what is done wrong. Every day, through the people's organizations and other means, Cubans point out their dissatisfaction with any signs of bureaucracy, wasteful spending, or inefficiency.

The high levels of education and instruction permit that even citizens holding the most simple jobs often pose questions with sound arguments to which the delegate of the people's power elected by the community or the appropriate administrative official must respond. However, aside from those responsibilities, the important point is that the defenders of the revolution are the armed workers, students, and peasants. Organized in FAR and in the territorial militias troops, a large part of the population has received the suitable training to use the weapons in case of a foreign aggression. The rifles are in the hands of the Cubans who would use them to defend the country. Here is one of the most unique pieces of evidence of support for the socialist democracy.

Jamaica

Seaga To Announce Election Date 15 Jan
FL0401002589 Bridgetown CANA in English 0007 GMT 5 Jan 89

[Text] Kingston, Jamaica, Jan 4, CANA—Prime Minister Edward Seaga said in an address to parliament Wednesday night that he would name the date of the general election on January 15, after a week-long Jamaica Labour Party [JLP] motorcade [as received]. Seaga said in a prepared speech that he wanted to take his "message to the country" before saying when the election will actually be held.

It will be the island's first contested general election since 1980, when Seaga defeated long-time rival Michael Manley of the Peoples National Party [PNP] in a bitterly contested poll that left an estimated 700 persons dead in street violence.

Seaga's speech came at the end of the last day of parliament, which was officially dissolved today.

All 60 members are from the JLP, elected in 1983 during an election that was boycotted by the PNP.

"The course and direction is before us and the message is clear, Seaga said during his nationally televised address. "Let us now leave it to the people to judge their own future and make their decision known."

Seaga said the motorcade would start with a massive rally in Montego Bay Saturday night and end in Kingston, with another major rally on January 15.

"On January 15th, I will announce the date for general elections," he said.

Jamaica's constitution requires that the election be held before April 10, five years and three months after this parliament's first sitting.

PRI Votes Pass Federal Expenditure Budget

PA0501020989 Mexico City EXCELSIOR in Spanish 29 Dec 88 p 1-A, 10-A

[Report by Lourdes Galaz and Enrique Olivares]

[Excerpts] The leftist and rightist opposition in the Chamber of Deputies rejected the 1989 federal expenditure budget because of the "excessive cost of the public debt." However, the PRI majority approved the budget bill last night by only 252 votes. There were 170 votes against the budget in the opposition.

Thus, the Mexican Federal Government will spend 246.5 trillion pesos. It will allocate 60.2 percent of this amount, 148.3 trillion pesos, to pay the foreign debt. The rest, 98.2 trillion pesos, will be spent on so-called programmable expenditures (including management, services, investments, public employees' wages). [passage omitted]

In the marathon session, which began at 1100 and was still continuing early in the morning, the debate dealt with the budget allotments. The opposition asked the most questions on the foreign debt. Even PRI deputies felt the foreign debt was unbearable and represents a heavy burden, preventing economic recovery.

The opposition felt the budget was "recessive" and "maintains none of the social approach on public expenditures so heralded by the Salinas administration for its 1st year in office." [passage omitted]

Government Outlines 1989 Revenue Sources

PA0401030889 Mexico City THE NEWS in English 30 Dec 88 p 4

[Text] The Finance Secretariat will collect 61 trillion pesos next year in taxes. This will be the second highest source of revenue for the federal government, which only exceeds the 110 trillion pesos revenue from domestic and foreign debt, the secretariat announced Thursday.[as published]

The announcement was made in reference to Mexico's miscellaneous fiscal items, in which the income tax is the highest item from which 24.4 trillion pesos will be contributed, followed by the Value Added Tax (IVA), which will raise around 16.2 trillion pesos.

Petroleos Mexicanos (Pemex) will be the major tax-payer with a contribution of nearly 5 trillion pesos in taxes. Pemex will acccount for much more than the vehicle ownership tax, which will amount to around 360 billion pesos.

Yet another source of income is the very unpopular tax on the purchase of new cars. This tax has caused a reduction in sales of new automobiles. The total revenue expected to be raised from this tax is nearly 323 billion pesos.

The third item in fiscal income is the special tax on production and services, [which] will raise 11 trillion pesos. Together with the income tax and IVA, these items constitute the largest source of revenue.

Other revenues expected to be garnered from state enterprises and descentralized organizations will amount to nearly 40 trillion pesos.

Foreign Investment Reportedly Up 119 Percent

PA0301234489 Mexico City EL DIA in Spanish 28 Dec 88 pp 1, 8

[Summary] According to the National Foreign Investments Commission, direct foreign investment increased from $10.876 billion in 1982 to $23.285 billion in 1988, or by 119 percent. New direct foreign investments for $2.368 billion were authorized during 1988. The direct foreign participation in Mexico's gross fixed investment represents 8.2 percent of the total. It has been estimated that additional foreign investments for more than $3 billion in the sectors of tourism and manufactured electronic goods will be approved in 1989. This would raise the accrued amount to $26.285 billion. The United States is still the largest investor in Mexico. The largest percentage of foreign investment has been aimed at the transformation industry.

Government Buys Radar To Detect Drug Flights

PA0501035389 Mexico City EL DIA in Spanish 31 Dec 88 p 8

[Summary] Mexico has acquired three mobile radar systems to watch its borders, specifically for detecting illegal flights by drug traffickers, sources from the Attorney General's Office (PGR) have reported.

The radar systems were financed in July with a private loan of approximately $45 million given to the Secretariat of Communications and Transportation through the U.S. Export-Import Bank. The equipment will be delivered to the PGR in the next few months.

Costa Rica

Arias Undergoes Surgery for Skin Cancer

PA0401234789 Panama City ACAN in Spanish 2329 GMT 4 Jan 89

[Text] San Jose, 4 Jan (ACAN-EFE)—A presidential spokesman reported today that Costa Rican President Oscar Arias had undergone surgery to remove a carcinoma of the skin from his back today and that he expects to return to duty tomorrow.

Information Minister Guido Fernandez told ACAN-EFE that the operation, carried out in a clinic in San Jose, lasted 30 minutes, was "successful, and the president is in good health."

Fernandez added that the doctors who attended to Arias used local anesthesia for the operation and that the extracted tumor was taken to a laboratory for the corresponding pathological examination.

The minister added that Arias, who is 47 years old, is resting at his home this evening and expects to return to his duties tomorrow.

This is the first time Arias, a Nobel Peace Prize laureate in 1987, has undergone an operation of this type since he began his 4-year term in May 1986.

The weekly cabinet session, which is held on Wednesdays, was suspended today because of the operation .

Security Minister Denies Meeting With Noriega

PA0401232789 San Jose Radio Reloj in Spanish 1200 GMT 3 Jan 89

[Text] Public Security Minister Hernan Garron said yesterday that during his tour last week along the Costa Rican-Panamanian border he did not discuss bilateral relations with any Panamanian authority. Garron toured the area on the occasion of the Costa Rican Rural Guard's transfer of border patrol duties to the Civil Guard. He visited several Panamanian border towns and met with the commander of Panamanian Military Zone No 5, Luis del Cid.

Garron said he has no objection to a meeting with Panama Defense Forces Commander General Manuel Antonio Noriega, but explained that during his tour through the border region he had no opportunity to talk with Gen Noriega, who was at a Panamanian border town when the minister was visiting the border region.

An international news agency reported last week that Noriega was going to meet with the Costa Rican minister. Garron said he and the Panamanian Military Zone No 5 commander discussed the importance of preparing a [word indistinct] to define the common borderline.

El Salvador

FMLN General Command's Year-End Message

PA0401030389 (Clandestine) Radio Venceremos in Spanish to El Salvador 0000 GMT 1 Jan 89

[Year-end message issued by the FMLN General Command, signed by Commanders Shafick Jorge Handal, Joaquin Villalobos, Leonel Gonzalez, Ferman Cienfuegos, and Roberto Roca in El Salvador on 31 December]

[Text] Twelve months ago, when the year that is ending today was just beginning, our decision to deepen and accelerate our actions to deteriorate the U.S. project in El Salvador was accompanied by our determination to place the entire political, military, and organizational apparatus at the disposal of a continuous and permanent offensive plan.

We, the five organizations that compose the FMLN—riding on popular support, with the experience gained, and after 8 years of war—had decided to take a substantial turn to confront new conditions of the U.S. Government's political-military aggression, take advantage of the potential of and become the vanguard of all segments opposed to intervention, open new spaces for the solution to the conflict, and lead to a gradual and irreversible deterioration of the main instruments of the counterinsurgency project; that is, the Christian Democratic Party [PDC] and the Armed Forces. In assessing actions implemented throughout the year, our people have no doubt that we achieved that.

The year 1988 was marked by the development of two significant processes: First, the overall deterioration of the counterinsurgency project and the FMLN's decision to take a turn was accelerated in the past 4 months with successful military campaigns; second, the diplomatic tour by the General Command, the surge in the struggle of city and rural workers, and the incorporation of broad segments to superior levels of organization and struggle throughout the country.

In 1988, we saw the end of the PDC as the political instrument to implement the military plan of the High Command and the advisers. This collapse of the civilian facade, which has brought about a serious institutional crisis, was worsened by the fatal ailment of Duarte and loss of authority before his party, the government, other state branches, the military, and the international community.

The Nationalist Republican Alliance [ARENA], through the Legislative Assembly and the Supreme Court of Justice, is blocking and harrassing the executive. It is establishing alliances by (?decision) of Rey Prendes and defeating Duarte's attempts to stop the [words indistinct]. Thus, they are paving the way for the oligarchy to regain the political power it lost with the 15 October 1979 coup d'etat.

Should Duarte die before the elections, ARENA would seek [words indistinct] control of the state, taking advantage of a favorable position at the Assembly to achieve control of the state apparatus through institutional means. [Words indistinct] has shown his inability, even with U.S. support, to reconstruct the party, unite its rank and file [words indistinct] does not have political, organizational, or financial ability, or U.S. support to become an alternative to ARENA.

The National Conciliation Party [PCN], having failed in its attempt to present itself under the Social Democrat flag, lost [words indistinct] the rest of the rightist parties. It was not able to gain the credibility with the people, who view it as a cover-up for previous traditional, military, oligarchic dictatorships. This caused an internal crisis in the PCN that strengthened the party's rightist trend headed by Moran Castaneda, who supplanted Hugo Carrillo. [Words indistinct] popular union do not have space because of ARENA's sectarian policy that does not want to share power with any sector. Furthermore, these parties do not have sufficient political, organizational, or electoral strength and were unable to change their image to present themselves as feasible candidates to take the place of the PDC.

The inability of [word indistinct] counterrevolutionaries to form an internal front against the FMLN has failed. The accelerated dismantling of local government caused by the massive resignation of mayors leaves the Army without an important piece in its military plan.

The elections have become an element of destabilization among the rightist political parties and in matters dealing with the distribution of formal power among the groups that aspire to be instruments of the counterinsurgency plan.

The United States initially supported presidential candidate Chavez Mena without ruling out the ARENA candidate as an option. The United States is now studying the situation and waiting to see how it develops. The development of the situation is now determined by the FMLN's political and military offensive and the people's growing apathy toward an electoral process that is contaminated by fraud and the low political level of the rightist candidates.

As a result, military men have repeatedly declared that democracy and respect for human rights are obstacles that prevent them from winning the war. Such a declaration is an open allusion to the government and the rightist parties that are engaged in a bitter struggle to defend their interests.

The Army, which stubbornly insists on providing a military solution to the situation with its counterinsurgency operations, is already immersed in an institutional crisis. The institution is going through a rapid decay process. This process is being made evident by internal struggles by military men seeking leadership positions in the war so they have more power and benefits derived from the corrupt handling of the huge but useless U.S. aid.

Continuous defeats produce demoralization among the troops and mid-level officers. The high command cannot produce any military victories. It is destabilized and has no satisfactory way of explaining why the FMLN can maintain an operational pace that allows the rebels to attack strategic places in the heart of cities.

Inside the government there are debates on how to face the urban war and the growing people's struggle. The appearance of a new name for the death squads, which are organs of the Armed Forces, have made evident the division that exists within that institution. While a group of officers is following the U.S. line of repressing the people in the framework of an institutional cover, others have desperately unleashed terrorist actions—which are also part of the Yankee strategy, but one to be implemented at a more critical moment.

Summarizing: The regime is going through a rapid decomposition process that is pushing toward a power-vacuum situation, and the Armed Forces [words indistinct] the oligarchy and its party into a crisis, and represents weak Yankee [words indistinct] to face the people and be accepted by the international community.

The group in power is now in the midst of an irreversible crisis. Unrest is growing among the people; more sectors of the population are stating their disposition to confront the government and its repression apparatus. The people are seeking new ways to struggle and they are building the tools that will open the road to a superior phase of insurrectional violence.

Workers in the cities and the countryside are struggling for their rights. Because of the government's lack of ability and the intransigence of the business sector, the huge economic crisis has been dumped on the people's back. The government's way to face the economic and political struggle is to wage repression, a repression that rapidly moved from a selective phase to a general repression phase that involves terror and psychological warfare. The activities of the death squads are on the increase, but this cannot stop an angered people.

Now there is a preinsurrection situation; the people's courage is growing, and they are better disposed in the face of an evident crisis in the government leadership and of the ability and strength of the people's vanguard, the FMLN.

The FDR's participation in the Democratic Convergence without breaking its alliance with the FMLN—far from endorsing and legitimizing the antiguerrilla political project and contributing to creating a [words indistinct] military government, has demonstrated that there

is no democratic opening; it has become an instrument to unmask the alleged democratic process and has brought together democratic groups struggling for a political solution.

The (?IDN) reactivation and the return to the country of Mario Aguinada Carranza is additional evidence that the people's struggle and the advancement of the revolutionary war have created political openings.

The national debate for peace organized by the Church showed that despite the obstacles placed by the oligarchy and the counterinsurgency, there is an understanding and consensus between organized popular groups and other patriotic and democratic groups seeking a political solution to the conflict, eliminating its causes, and demanding an end to U.S. intervention.

Bush's victory in the United States and the failure of Reagan's foreign policy in Central America offer no alternatives; hence, the next administration has come to a short pause by the conservatives who constitute the pragmatic current and the Republicans.

In addition, the Bush administration has inherited a commercial war with great disadvantages because of poor U.S. competitiveness in facing Japanese technological advancements and the staunch resistance of its European allies. It has also inherited a difficult domestic situation with a tendency toward recession because of the enormous fiscal and budget deficit, which worsens the social crisis.

The Bush administration is also confronted with the audacious Soviet initiatives in nuclear and conventional disarmament; a Latin American trend, headed by the Group of Eight, opposed to U.S. intervention in Central America; and the courageous and dignified attitude of the peoples of Nicaragua, Panama, and El Salvador.

El Salvador is already the main concern for the Bush administration in Central America. The U.S. plan has no immediate alternative, and Bush is seeking variants to contain the insurrection and revolutionary advances.

The FMLN, taking into account all the factors we have mentioned before, has made a shift to accommodate its political and military apparatus in accordance with its offensive plans. [Words indistinct] events take place more rapidly at times of milder political crisis and social convulsion [words indistinct] to ensure the continuation, fulfillment, and simultaneous nature of offensive actions.

Today, the FMLN is more united than ever. We have one strategy and one tactic, permitting its creative implementation. Based on the particular conditions of each frontline, the autonomy [words indistinct] as a result of the autonomy gained by a contingent of [words indistinct] strategically to direct the growing incorporation of the people into the various forms of struggle, mainly the armed struggle.

At this stage of revolutionary struggle, political factors play an active and determining role. [passage inidistinct]

There is a sort of interrelation between the [word indistinct] and the war and between the war and the political factors.

That interrelation turned the FMLN into a very powerful Latin American guerrilla movement, which has succeeded in blocking U.S. plans in El Salvador, thus establishing a clear duality of powers [word indistinct] lack of quality applied to an offensive closely linked to the political situation.

Our offensive has three basic elements:

1. It is a permanent and growing offensive. We are in an attacking position. We are developing our plan, and we will not reduce the pressure on our enemy. That military, political offensive is intended to defeat the counterinsurgency by sinking the Armed Forces into a clear military crisis, which added to the political situation will increase the government's political crisis until it becomes a crisis of power. The people will take advantage of that crisis to carry out a final rebellion.

2. Our offensive, which is taking political factors into account, demanded a deeper and more detailed study of the diverse elements of the current political situation. We became much more flexible. In other words, we have a greater ability to act with audacity. We accelerate, delay, or improvise our actions depending on each situation. We must take into account that in the future we will experience abrupt changes because of the enemy's weakness. That weakness will demand timely, clever, and agile actions.

3. Bearing the previous two elements in mind, we must continue to develop the process of accumulation of forces and to take care of each specific situation, including harvest processes, struggles for better wages and significant benefits, the regime's repression of the people's insurrectional spirit, international situations, [word indistinct], and the local situation.

We will [words indistinct] all that accumulation of forces to conduct good attacks by taking those forces to the frontlines, to expand our movement, and to make our movement more radical.

The strategy we started in September 1988 marked the end of the search for [words indistinct] of decisive battles that definitely made the correlation of forces changed in our favor.

That path was noticed in our country and abroad because of our military attacks and the diplomatic tour made by the FMLN commanders.

In the military field, we had the participation of new forces. Guerrillas and militias conducted permanent actions throughout the country, and they work with the people to cause the physical, moral, and material deterioration of the political and military counterinsurgency forces.

The following factors played a very important role in the FMLN's offensive:

Guerrilla support in some of the country's most important cities combined with incursions, demonstrations, and street clashes between the Army and FMLN militias and insurrectional detachments.

Urban war increased, allowing us to attack the main Army quarters and repressive bodies' installations and to destabilize the strategic rearguard of the counterinsurgency's political-military command.

Strategic attacks on military bases and garrisons proved our forces' ability to annihilate, and they proved the Army does not have [word indistinct] positions. The regional and subregional guerrilla maneuvers showed the FMLN's capacity to further weaken the Army through its concentration of forces and its attacks on vital areas and to motivate people to rebel and to participate in insurrectional outbreaks.

The guerrilla warfare, besides weakening the enemy troops, also led to sabotage against the energy system; sugarcane, coffee, and cotton production; and the communications system. It also led to transportation stoppages that forced the Army to use troops to defend those targets and forced the government to spend money to protect those sectors. Thus, we reduced the financial support for the counterinsurgency war. The strengthening of our forces and the increase in its firepower, including peoples artillery and heavy weapons, were highly efficient.

The FMLN's strategic offensive has changed the concept of offensive operations by availing itself of the political and military situation. The people's army has used large contingents to implement various tactical maneuvers and use new weapons. In sum, this represents an overall and integral change that has repeatedly achieved great results. The offensive disrupted the enemy's defense plans for the cities, based on a counterinsurgency concept designed by [Colonel] Ponce and [Colonel] Zepeda.

The FMLN's qualitative changes [words indistinct] current situation and definitely disrupted the Armed Forces' military plans. We have taken a big step forward by availing ourselves of the political and operations advantages at local, departmental, regional, and national levels. Our overall situation is quite positive and advantageous within a strategic framework.

The political-military situation will not change even if the electoral changes take place. Instead, this would complicate things, given the enemy's agreements, alliances, and coalitions.

The FMLN General Command's diplomatic tour represented an important offensive blow in the political sector because it clearly differed from previous diplomatic actions. The main results achieved with this tour were the political blow dealt inside the country and the offensive launched within the national debate. This was carried out at a time when the regime was harshly criticized for the increase in human rights violations, the closure of political spaces for the popular organizations, and the government's refusal to renew a dialogue with the FMLN-FDR.

The action proved the FMLN's strength, and its political-military offensive was carried out within the framework of an advanced popular movement. This movement has been joined by large, medium, and small contingents of fighters whose aim is to strengthen the rebellion against the regime's counterrevolutionary policy.

It can be affirmed that the regime has decided to resist and halt the people's insurrectional offensive. It will adopt strategic actions to try to inflict a definite blow on the people's movement. It will also try to contain the revolutionary offensive throughout the country.

However, the FMLN is identified with the people and has been constantly helping the people throughout the war. A possible social explosion would not be determined by what the FMLN wants but by an objective situation the FMLN vanguard has grasped and acts upon to lead the people.

Subjective factors are also involved, such as the people's organization level, the people's historic fighting tradition, the intensity of the war, and the revolutionary war, which has developed a fighting awareness in broad sectors of the population.

[Words indistinct] to a power-vacuum situation the people have perceived. The people are preparing for the battles to come. They are taking qualitative steps forward [words indistinct] to actively participate in the building of a new fatherland.

The FMLN military offensive, the diplomatic tours by the General Command, the confrontation between popular movements and the regime, the incorporation of large sectors of the population to the struggle, and the solidarity of people from other countries—including the United States—are elements that contribute to a more rapid defeat of the counterinsurgency project and to the

possibility of an earlier serious negotiation, because these elements will open doors in the United States and El Salvador so that negotiations may take place.

The FMLN has political proposals that consider the nation's interests and the national and international situation. If the Bush administration decides to enter into negotiations, the FMLN is prepared to do so. However, if the new U.S. Administration decides not to negotiate and to increase the level of intervention and aggression, the FMLN is also prepared to face that. The trend is for the FMLN to maintain its offensive advance and for the counterinsurgency side to completely lose the initiative and to fall into a thoroughly defensive position.

At the conclusion of this year of victories and progress, the General Command greets the heroic Salvadoran people, fighters, security and services personnel, militants, commanders, mid-ranked units, and leaders, and calls for increased efforts in the struggle to overthrow the dictatorship.

The decisive battles have begun. The definitive battles are yet to be waged. Let all the people prepare the insurrection. Let us make the revolutionary offensive known.

We are united to fight until final victory. Revolution or death. We will win.
El Salvador, 31 December 1988.
[Signed] Commander Shafick Jorge Handal
Commander Joaquin Villalobos
Commander Leonel Gonzalez
Commander Ferman Cienfuegos
Commander Roberto Roca

Defense Minister Assesses 1988 Actions

PA0401232989 San Salvador Canal Doce in Spanish 0500 GMT 3 Jan 89

[Report by Alfredo Villareal on interview with Defense Minister General Carlos Eugenio Vides Casanova; date and place not given—passages within quotation marks recorded]

[Text] [Villareal] Defense Minister General Carlos Eugenio Vides Casanova has described as excellent the work done by the Armed Forces during 1988. He said that despite an increase in violence, which is indiscriminately promoted by the FMLM, the Army managed to guarantee the elections in which mayors and deputies were elected in March despite a boycott by guerrillas, who had decreed a transport stoppage:

[Vides] "I would describe as excellent the work done by the Armed Forces. At the beginning of the year we drafted a full plan, reviewed it, carried it out, and surpassed our objectives.

"We faced one of the most difficult situations. There has been an increase in popular [as heard] actions; however, they have not been able to advance. The same people are advocating various causes. The subversion's goal of bringing about insurrection and a general strike before the elections has been frustrated.

"Quite the contary, we not only achieved military victories this year but, most importantly, the Salvadoran people [words indistinct] waged the most important battle—the political battle in the elections."

[Villareal] For 1989, the defense minister said the Armed Forces will face the challenge of guaranteeing the democratic process by guarding the pre- and postelectoral period when the new president of the Republic will be elected:

[Vides] "They are stepping up sabotage actions against the economic infrastructure. They will also try to block the elections and take advantage of divisions among majority parties, and they are planning to implement actions against political leaders at specific moments.

"We also understand they will use the elections to get closer to the people, because they realize nobody supports them."

[Villareal] Gen Vides added that U.S. aid for the Army was appropriate. He affirmed that the size of the Armed Forces, which is estimated at about 50,000 armed men, will not change:

[Vides] "U.S. aid has been appropriate. It is obvious that there are limitless needs during war, but I believe we have fared well. We believe that next year's military aid will be slightly greater. We are capable of facing any situation with the aid given us.

[Villareal] "Will the number of troops be increased next year?

[Vides] "No, we will not increase the number of troops; we have maintained a stable number for the past 3 years. Quite the contrary, we have plans to start reducing the size of the Armed Forces, because the military situation [words indistinct]."

[Villareal] After 8 consecutive years of war, the Armed Forces have acquired a high degree of maturity and professionalism, Vides Casanova said. Evidence of this is that in 1988 the guerrillas declared no new freed areas, because the Army is present throughout the country, the defense minister pointed out.

Armed Forces Transfers, Promotions Reported
PA0401220089 San Salvador LA PRENSA GRAFICA in Spanish 3 Jan 89 pp ? 50

[Text] The Armed Forces General Order of 31 December 1988 reported 5 transfers, the promotion of 2 colonels to general, and the promotions of 418 other officers:

Colonel Rene Arnoldo Majano Araujo, executive officer of the 2d Infantry Brigade in Santa Ana, has been named commander of Arce Battalion in San Miguel, replacing Colonel Roberto Mauricio Staben. Col Staben has been named commander of Military Detachment No 7 in Ahuachapan, replacing Colonel Ricardo Alfonso Casanova Sandoval. Col Casanova has been named commander of the Armed Forces Transmission Training Center, replacing Colonel Joaquin Arnoldo Cerna Flores, who has been named head of Group III (Operations) in the Armed Forces Joint Chiefs of Staff.

Colonel Francisco Jose Martinez Calderon of the Armed Forces Joint Chief of Staff has been named deputy commander of the Treasury Police.

Two colonels were promoted to the rank of general: Rafael Antonio Villamariona and Leopoldo Antonio Hernandez.

Ten lieutenant colonels were promoted to the rank of colonel: Nelson Ivan Lopez y Lopez, Rene Arnoldo Majano Araujo, Carlos Armando Salvador Aviles Buitrago, Santiago Jose Rodolfo Avendano, Fernando Menjivar Campos, Rigoberto Vasquez Alvarado, Jose Isabel Reyes, Gilberto Alonso Rivera, Oswaldo Marenco Carballo, and Raul Castillo Cienfuegos.

Eighteen majors were promoted to the rank of lieutenant colonel: Jose Alejandro Monterrosa Amaya, Jose Antonio Almendariz Rivas, Angel Eliseo Ramos Escalante, Oscar Edgardo Velasquez Rivera, Hernan Martinez Colocho, Jaime Alberto Suarez Garcia, Ebelmore Anaya Mejia, Felix Ranulio Ramirez Gonzalez, Rafael Antonio Lopez Davila, Omar Antonio Vaquerano Quintanilla, Juan Carlos Azcunaga Sanchez, Rolando Carcamo Alfaro, Rigoberto Hernandez y Hernandez, Alfredo Gonzalez Brito, Salvador Antonio Sosa Carranza, Carlos Mauricio Vides Lucha, Juan Antonio Martinez, and Salvador Antonio Romero Galdamez.

The Defense Ministry's 31 December general order also reports the promotion of 19 captains to the rank of major, 77 lieutenants to the rank of captain, 216 second lieutenants to the rank of lieutenant, and 78 promotions to the rank of second lieutenant.

FMLN Reports Recent Clashes, Army Casualties
PA0301233189 (Clandestine) Radio Venceremos in Spanish to El Salvador 0000 GMT 3 Jan 89

[Text] A guerrilla unit ambushed Morazan Battalion troops with antipersonnel mines in Cerro Gallito, Yamabal Jurisdiction, on 2 January, killing one enemy and wounding two.

On 31 December, guerrillas attacked Military Detachment No 4 troops in Guatajiagua, forcing the enemy to pull back and take refuge in a populated area.

It has been reported to us from the Anastasio Aquino Paracentral Front in Cabanas that in clashes near Villa Victoria on (?15) December, our forces killed four Military Detachment No 2 troops and wounded four.

Guatemala

President Dismisses Police Director General
PA0501015489 Panama City ACAN in Spanish 0040 GMT 5 Jan 89

[Text] Guatemala City, 4 Jan (ACAN-EFE)—Colonel Carlos Anibal Mendez, director general of the National Police of Guatemala, was dismissed today by the president and replaced by Navy Captain Romeo Guevara, who was assistant director.

National Police spokesmen Carlos Chen told ACAN-EFE that Vice Government Minister Juan Jose Cabrera "unexpectedly" arrived at the directorate general's offices today to swear in the new director.

The National Police spokesman added that Mario Rene Cifuentes, who had been working as third in command and as inspector general of the National Police, assumed the post of assistant director.

Colonel Carlos Anibal Mendez was asked about his dismissal; he said he ignored the reasons, but admitted that the president has the authority to make decisions concerning the appointment of officials.

Captain Romero Guevara issued his first statement as head of the National Police and stated that he will enforce a "severe" organization in the corps to guarantee citizens' security.

He also said he will implement actions through the Civilian Protection System, an organization created by Guatemalan President Vinicio Cerezo to fight crime and which is comprised of the National Police, Military Police, and Rural Guard.

Nicaragua

RN Coalition Peace Proposal Published
PA0401163389 Managua LA PRENSA in Spanish 31 Dec 88 p 12

["Proposal for an Overall Solution to the Nicaraguan Problem" issued by the Directorate of the Democratic Center Coalition; date and place not given]

[Text] In view of the serious crisis afflicting Nicaragua and the stalemate in peace negotiations in Central America, the Democratic Center Coalition (CCD) [Nicaraguan Resistance (RN) group formed in October 1988 in

San Jose, Costa Rica, consisting of the Southern Opposition Bloc, Conservative Party in Exile, Social Democratic Movement of Nicaragua in Exile, Christian Democratic Party, and the Nicaraguan Democratic Movement] has decided to present a proposal for an overall solution to the Nicaraguan problem within the framework of the Esquipulas II accords.

We place our proposal in the hands of the Nicaraguan opposition and government and the consideration of friendly governments, because we will only be able to achieve reconciliation and democratization in Nicaragua and peace in the region with the help of all.

A permanent and definitive solution to the Nicaraguan conflict requires the political willingness and participation of all forces involved and authentic efforts on the part of the United States and USSR.

Chapter I: Peace and Reconciliation

The CCD believes that an authentic peace not only implies an end to the armed conflict but also a reconciliation among all members of the Nicaraguan family. Fundamental elements for achieving peace and reconciliation in Nicaragua are:

1. A general amnesty for all prisoners who have committed political and related crimes in keeping with subparagraph B of point 1 of Esquipulas II.

2. Facilitating the return of exiled citizens to Nicaragua.

3. Ending the armed conflict through: a) a definitive cease-fire accord between the warring factions; b) abolishing obligatory military service; c) definitively ending military aid from the USSR, Eastern Bloc, and Cuba to the Nicaraguan Government along with a corresponding halt in military aid to the RN.

4. Gradual disarmament of the EPS with verification provided by Canada, the FRG, Spain, and Venezuela to establish a national army serving the fatherland and defending democracy. The size of the national army would depend on the economic and defense needs of Nicaragua and the size of other Central American armies.

5. Designated areas for resistance fighters—in keeping with the agreed-upon modus operandi—who will remain in specific zones where they will receive humanitarian aid and assistance in maintaining military equipment while the democratization process progresses.

6. A government guarantee for the gradual reincorporation of resistance fighters to national life without any kind of persecution, threats, or coercion.

7. Negotiations on regional security among Central American governments, including the withdrawal of foreign military advisers and an end to Nicaraguan Government aid to insurrectional movements in the area, as mandated by Point 5 of Esquipulas II.

Chapter II: Democratization

The CCD believes that an authentic democratization requires the following fundamental elements:

1. Establishment of a legal state with clear separation of state branches.

2. Holding free, pluralist, and honest elections (Point 4 of Esquipulas II), involving the participation of all political parties without exception following amendments to the Electoral Law.

3. Full freedom of speech, elimination of all kinds of advance censorship, and the right to open and operate radio stations, newspapers, and television stations for all ideological groups. (Point 3, paragraph A of Esquipulas II).

4. Full political party pluralism must be practiced in keeping with Point 3, paragraph B of Esquipulas II.

5. Repeal of the law on military service and all repressive laws. Dismantling of repressive corps, regardless of whether they are civilian, military, or paramilitary.

6. Absolute respect for the principles enshrined in the Universal Declaration on Human Rights of the United Nations, of the OAS, and in international agreements, as well as the labor rights embodied in ILO agreements.

7. Supervision of and technical assistance for the electoral processes in Nicaragua on the part of the electoral bodies of the Central American countries, Venezuela, Canada, the FRG, Spain, the OAS, and observers from third countries, as provided for in the section of the Esquipulas II agreement regarding free elections.

8. Guaranteed freedoms of religion and worship and an end to all persecution against the Church and its institutions.

Chapter III: Reconstruction

Nicaragua's reconstruction is one of the goals that should unite all of us. For this purpose, the CCD proposes the following:

1. Promotion of a social atmosphere conducive to reconstruction—which can only exist once Points 1 and 3 of Chapter I, and Points 3, 4, 5, 6, and 8 of Chapter II of this proposal are implemented—and respect for private property.

2. Creation of an organization for national reconstruction to be composed of the national government, the opposition, workers, and businessmen in order to promote: a)

normalization of relations with the United States; b) international assistance for reconstruction from the EEC, the United States, Japan, and Latin America; c) establishment of new and improved relations with international financial organizations, international private banks, and the Central American and Latin American integration organizations; d) implementation of policies for reconstruction, such as government decentralization, investment incentives, and revision of the policies that are currently curbing economic development.

3. Conclusion of a social pact between the government, businessmen, and workers that will unequivocally establish the rules and guidelines to be followed.

4. Review of property confiscations of Nicaraguan citizens who have remained in the country and those who return to the homeland.

This proposal constitutes a harmonious and indivisible whole and requires a coherent and specific timetable for its execution.

[Signed] CCD Directorate

Roberto Urroz, Nicaraguan Democratic Movement

Fernando Aguero R., Nicaraguan Conservative Party

Jose Davila M., Nicaraguan Christian Democratic Party in Exile [Democracia Cristiana Nicaraguense en el Exterior]

Carlos Hurtado, Southern Opposition Bloc

Mario Alfaro A., Social Democratic Party

Ortega To Discuss Peace Zone, Human Rights

LD0501111189 Prague CTK in English 1012 GMT 5 Jan 89

[Text] Managua Jan 5 (CTK correspondent)—The fact that the Sandinista people's revolution has resisted the American aggression is the most significant success since its victory in July 1979, Nicaraguan President Daniel Ortega has told CTK here.

In spite of the aggressive policy of the American Government towards Nicaragua the revolutionary power has consolidated, he said, and appreciated in this connection the international solidarity granted to the Sandinista people's revolution by the socialist countries, including Czechoslovakia.

Relations between Nicaragua and Czechoslovakia have been developing since the victory of the Nicaraguan revolution and have reached a qualitatively higher level in the past few years. The all-round exchange between the two countries is significant and the cooperation with Czechoslovakia is another contribution to the defence of the Nicaraguan revolution, Ortega said, stressing that the forthcoming visit of General Secretary of the Czechoslovak Communist Party Milos Jakes to Nicaragua is another proof of the two countries' good will to develop mutual cooperation. He also highly praised Czechoslovakia's foreign policy and its initiative for the creation of a zone of confidence, cooperation and good-neighbour relations on the line dividing the Warsaw Treaty and NATO states.

The Czechoslovak proposal stengthens the tendency which emerged after the signing of the disarmament agreements between the Soviet Union and the USA. These agreements have laid foundations for the realization of other actions which would contribute to detente and further disarmament, especially nuclear. Similar steps create at the same time prerequisites for the solution of regional conflicts. Significant successes were achieved in this sphere in 1988, Daniel Ortega told CTK, and expressed regret over the fact that Central America has remained an exception in this respect.

Dealing with the forthcoming meeting of presidents of the Central American states in San Salvador, he stressed that Nicaragua intends to submit a proposal for the restoration of integral democracy in the area which would mean the declaration of Central America an area of peace and neutrality. This would bring to the states in the area real independence and sovereignty, Daniel Ortega stressed in his interview for CTK, and said that the Central American presidents will also deal with human rights at their meeting.

Chamber of Commerce President Views Economy

PA0501025589 Managua Radio Sandino in Spanish 1930 GMT 3 Jan 89

[Interview with Chamber of Commerce President Dr Jose Leon Ruiz by unidentified reporter; date and place not given—recorded]

[Text] [Reporter] As president of the Nicaraguan Chamber of Commerce, what are the prospects for this year for the business sector and the members of the Chamber of Commerce?

[Ruiz] According to the president's Christmas message, we could say the prospects for the business sector will be worse than in 1988. That is, there will be greater restrictions in economic activities, the crisis will get worse, and the government has announced it will adopt restrictive measures. The government has announced some controls regarding the use of one's own funds. We do not know what the government policy will be in this regard. However, the business sector's own funds have served somehow to help this sector to survive. Therefore, to the extent these controls do not attempt to restrict the use of such funds, to the same extent we could say perhaps commerce activities may be seriously affected. Commercial activities will be further contracted because the Christmas season sales were quite bad, and sales will continue decreasing.

Traditionally, sales decrease after Christmas. I believe it will be very difficult for many businesses to overcome the crisis. We do not see any prospects for a reactivation in the business sector. We will have to wait for the measures the government may be announcing in the next few months; according to that, we might come up with sugestions on what the business sector could do within the plan or economic structure the government has for this year.

[Reporter] The private business sector has pointed out that one of the biggest problems is the political situation, and as long as the political situation is not normal, the economic problems will continue. President Ortega has made an appeal this year to adopt a constructive position and to recognize the official institutional system. At the same time, he has urged Central American presidents to continue making efforts to fulfill Esquipulas II. We would like to know your views on the government position.

[Ruiz] I would say President Ortega's statements are contradictory, because he talks about adopting a constructive attitude for 1989. However, in the same speech, as you may have heard, he attacked the private sector. That is contradictory, because such statements were not constructive at all. I have always believed it is necessary to run the public administration for the benefit of all Nicaraguans, with no discrimination, not favoring the state activities to the detriment of the private sector.

We hope the president's ideas will be implemented, so the rights of the private business sector are recognized and the business sector receives the same treatment the state enterprises receive. I believe it is very necessary to eliminate the causes provoking this crisis. I firmly believe, and I think this is the general opinion, that the problem is the political administration this government has had in the internal and external aspects. I believe if relations are modified, if we search—as you mentioned—for a more constructive position, we may find solutions to overcome the crisis that is further sinking the country, which is something no Nicaraguan wants. We all want Nicaragua to reactivate its economy, to progress, and to improve conditions at all social levels.

[Reporter] The government is also promoting an austerity policy. As part of this policy, the government even made an appeal to change attitudes beginning at the FSLN National Directorate level, including all government sectors. What is your opinion? Do you think the government will actually be able to reduce the fiscal deficit this year?

[Ruiz] Our sector has always been calling for austerity measures to reduce the deficit and to eliminate part of the economic problems affecting our economy. I believe that if the government is truly convinced about the need to do this, this could be beneficial. I think any of the economic sectors in the country will always be willing to support this new attitude, this new consciousness, provided this will be a serious effort with good faith. I think this could be positive.

Union Leader Comments on Production Decrease

PA0401004289 Managua LA PRENSA in Spanish 28 Dec 88 pp 1, 2

[Article by Ana Maria Ruiz]

[Excerpts] Production in 1988 continued its downward trend, and its chief indicator, export products, plummeted to the unbelievable figure of only $185-$190 million.

Ramiro Gurdian, president of the Union of Nicaraguan Agricultural-Livestock Producers (UPANIC), noted that this figure is dramatic considering that under the principles of sheer economic inertia this amount should be approximately $1 billion, based on statistics from the previous decade.

Gurdian said if there had been positive economic development in Nicaragua, the country could have been exporting up to $1.5 billion this year. This figure would have placed it above the other Central American countries, something that was very likely before the revolution. [passage omitted]

"Currency is a government's IOU. Each cordoba bill it issues is an IOU or a promise the bill is worth so much. In February, the Sandinists' IOU's suddenly lost their value by 1,000 times. Considering that the currency continues to be devalued, it is as if the government were constantly digging into the people's pocket," Gurdian noted.

What is more important in economic terms, in 1988 the Sandinists acknowledged they cannot continue governing the country.

Gurdian confirmed the coffee harvest for this year will be 750,000 quintals. Probably 650,000 will be exported, as expected from previous figures; 100,000 quintals (20,000 quintals less than normal during good years) will be used for national consumption.

To give an example of what the economic problem has meant for producers, Gurdian mentioned the situation of the country's cattlemen. For each head of cattle, they are receiving from the sole buyer—the state—the equivalent of the price of a young bull weighing an average of 400 kg, $35-$40 dollars. Sometimes the state has paid even less, he added. [passage omitted]

Gurdian explained that this year could not have been worse for the agricultural sector, because the official exchange rate is 920 cordobas to the dollar while the rate at the parallel market is 5,000 cordobas to the dollar.

This huge difference, where the official exchange rate is 20 percent of the dollar's true price at the only market to which producers have access, has brought ruin to many of farmers and is threatening to wipe out the country's agricultural and livestock production.

This measure will not benefit the government in the long run. However, government officials insist in implementing it, prompted by what appears to be a simple ploy to pay farmers only 15.2 percent of their products' value. [passage omitted]

Gurdian feels the FSLN is riddled with contradictions because it is bent on seeking a solution to the war and only later seek solutions to the economic problems. They do not realize—Gurdian noted—that the solutions to these two matters will only come if there is a political solution. However, they refuse to admit there is need for a political solution, he added.

Panama

Delvalle Reportedly Sends Proposal to Noriega

PA0401220289 Hamburg DPA in Spanish 2219 GMT 4 Jan 89

[Text] Panama City, 4 Jan (DPA)—Deposed Panamanian President Eric Arturo Delvalle has sent a letter to General Manuel Antonio Noriega, chief of the Panama Defense Forces, proposing the negotiation of a solution to the current Panamanian crisis, which has lasted 19 months.

The letter, reportedly written by Delvalle on paper with the letterhead of the Panamanian Embassy in Washington, was anonymously sent to the local DPA offices. The businessman, who has remained in hiding since 26 February 1988 when he was deposed by the Legislative Assembly, describes the grave political, economic, and social crisis that prevails in the country.

A paragraph in the letter to Noriega points out: "You and I hold factors of power that circumstances have placed in opposing positions. Given the situation—and for the sake of our fatherland's interests—it is our duty to sponsor and carry out a serious and quick negotiation to prepare the initial groundwork for national reconstruction."

According to Delvalle, the talks would contribute "to reestablish the Republic on the bases of democratic liberties."

The former president also said he is willing to offer his firm and disinterested contribution for the rehabilitation of the Panamanian nation, and he expects the same from Gen Noriega.

Delvalle also urged the military commander to remove the armed forces from party politics, "because they have violated their social neutrality, and the public forces have earned the enmity of a large part of the citizenry."

[Words indistinct] the Panamanian state, which is clearly stated in the National Constitution, and its main role is to guarantee public security and defend the Panama Canal within the framework of a modern model," he added.

Opposition Leaders: No Decision on Elections

PA0401185089 Panama City Telemetro Television in Spanish 2300 GMT 3 Jan 89

[Passages within quotation marks recorded]

[Text] The opposition has not yet decided to participate in the elections; it has only recommended participation, according to Ricardo Arias Calderon [president of the Christian Democratic Party, PDC], Jorge Pacifico Adames [first vice president in charge of the presidency of the Authentic Panamenist Party, PPA], Alfredo Ramirez [president of the Nationalist Liberal Republican Movement, MOLIRENA], and Joaquin Fernando Franco, Jr [Authentic Liberal Party leader].

The opposition political party leaders have recommended to their respective decisionmaking bodies that their parties participate in the elections to continue the peaceful struggle to remove the current regime. This decision has been criticized by some Panamanians and non-Panamanians who view this as a tacit recognition of the authorities, because the parties are heeding the Electoral Tribunal's call for participation in the May 1989 elections.

On many occasions, however, opposition leaders have said they will not give the elections to the government. As they said in a recent communique, they want to give the people a true alternative—citing their words—between the candidates of the dictatorship and the crisis and the candidates of democracy and a better life.

PDC President Ricardo Arias Calderon commented on the goals and objectives of the document he signed:

"We will not let them get away with their plans. We will fight—politically and peacefully but in the Panamanian style—to obtain the necessary guarantees for the elections and to give the public an opportunity to chose—in real, not simulated, elections—between the candidates of the dictatorship and the crisis and the candidates of democracy and a better life. I believe that is what the Panamanian people want. We have therefore chosen this path, which has its risks but is a Panamanian path for courageous Panamanians."

Meanwhile the PPA, the majority party of the Democratic Opposition Alliance [ADO] headed by Jorge Pacifico Adames, has said the communique does not say the PPA has definitely decided to participate in the elections; it only recommends to the opposition parties' leaders that the parties participate in the elections. Adames added:

"The communique does not say we are going to participate in the elections; it only says we are going to consult our parties to decide whether to participate—that is what the communique says. All the parties in the ADO will make the necessary consultations within our parties to decide, first, if we are going take part in the elections, and second, who would be our candidates. We have not decided that yet. We are living in a state of anarchy. We wish our people a new year of hope, as the situation could be settled this year."

MOLIRENA President Alfredo Ramirez called on all opposition forces to support the decision expressed in the communique, thereby helping to create a broad opposition alliance headed by a single presidential ticket. He also explained why the opposition should participate in the elections, even though the ADO itself has claimed the proper conditions for the elections do not exist:

"The decision to recommend to our parties' leaders that we participate in the elections does not mean we are giving up our struggle to regain the rights we have been denied. This means we will continue struggling for the reopening of the closed media, for the return of political exiles, for the release of all political prisoners, and for the creation of trustworthy electoral institutions."

Joaquin Fernando Franco referred to the document signed by Arnulfo Escalona Rios, president of the Authentic Liberal Party:

"I believe the opposition party leaders have agreed to recommend to their respective organizations that they participate in the elections under whatever conditions the current regime establishes. Of course, we are struggling to obtain the minimum conditions for an honest electoral process, which could bring peace to the Panamanian people. If that is not possible, I believe the opposition parties will fight on any battleground chosen by the current government."

Civic Crusade Urges Participation in Elections

PA0501022289 Panama City RPC Television in Spanish 2335 GMT 4 Jan 89

[Text] Even though there is no freedom of expression, assembly, or protest in the country, it is convenient and necessary to take the struggle for liberty, justice, and democracy to the electoral field, the National Civic Crusade [CCN] said today in a communique.

The communique added that it is of vital importance that the opposition go to the elections united, grouping the parties that have already expressed their decision to participate and other parties and independent groups opposed to General Noriega's dicatorship.

The CCN asked political parties to nominate the best men for electoral posts: citizens having the Panamanian people's respect and support, duly qualified and respectable men who will have the courage to assume the necessary risks to take the message of liberty, justice, and hope to every corner of our country, winning the massive vote of the Panamanian men and women.

Later on, the communique clarified that at no time will the CCN participate in political activities. It added: Our intention is to cooperate in the financing of the elections, keep voters informed, and promote the massive vote of all Panamanians. Because the CCN seeks no political power—the communique stated—it has been decided that any CCN leader who wishes to run for a government position must resign from the movement.

The CCN stressed that the recommendations in this declaration to the nation do not mean it has given up its original position regarding the need for a government of transition toward democracy. That position will continue to be maintained if the elections do not take place or if the people's will expressed in the polls is not respected, the communique concluded.

CCN Leader Comments

PA0501035089 Panama City Telemetro Television in Spanish 2300 GMT 3 Jan 89

[Text] Dr Carlos Abadia of the National Civic Crusade [CCN] agrees with the opposition's decision to participate in the presidential elections despite the obstacles.

This CCN leader has pointed out there are many obstacles to the presidential elections scheduled for 7 May. He said, however, that this will not stop the fight for democracy.

[Begin recording] [Abadia] We agree with this decision, especially because the opposition has stated it will be united and will be another option for a peaceful solution. We must not forget about the options proposed by the opposition, political parties, and the CCN during these 19 months of struggle.

[Reporter] What role will the CCN play in the political arena that will decide the future of the country?

[Abadia] Undoubtedly, our main role is to prevent another electoral fraud like the one staged in 1984. That is our main role in the elections.

[Reporter] How do you view the current situation? There are demands for better guarantees; however, nothing has been decided for the elections to be held in the appropriate manner.

[Abadia] Since May, the government has been hoisting the flag of the elections as a means to achieve a solution to the Panamanian crisis. After seeing that elections are being promoted, the government has begun taking away guarantees for the elections with the clear intention of

discouraging opposition political parties from participating in the elections. We have learned about this game and are dealing with it in the appropriate manner. [end recording]

Solis Palma Denies Union Request on Taxes

PA0301220889 Panama City LA ESTRELLA DE PANAMA in Spanish 1 Jan 89 p B-6

[Letter from Minister in Charge of the Presidency Manuel Solis Palma to representatives of four local trade unions; date and place not given]

[Text] I take advantage of this opportunity to refer to your 19 December letter asking me to suspend "for 1 month effective immediately the attachment proceedings against Panamanian employees of the Panama Canal area, for failure pay their income tax."

I deeply regret not being able to grant your request for the following reasons:

1. As you know, the income tax is levied on earnings, which include wages and other payments employees and other hired personnel receive, based on Fiscal Code Article No 696, Paragraph A. Compliance with the above-mentioned tax obligation is up to the person earning salaries, wages, and other income because of his status as an employee. This tax obligation also establishes that the employee pay his income tax through a system whereby the employer hiring him witholds this tax. That company's or agency's duty to withold its employees' income tax compels it, as an act of solidarity, to pay it. Regardless of the legal liabilities incurred by a company not withholding or paying this tax, each employee has the duty to pay his income tax, as the fiscal regulations establish. An employer's failure to withhold and forward this payment to the fiscal authorities does not exonerate an employee from his fiscal responsibilities. As has been noted already, every employee has the duty of paying his taxes.

2. Failure to pay or a delay to pay this fiscal obligation renders the employee liable to be sued in line with attachment proceedings. The Judicial Code regulates this procedure, which is fully described in the jurisdictional process and thus cannot be generally modified by the executive branch. To do so would constitute an abuse of power, because the administrative procedures for attachment orders are regulated by the Procedural Law, and a government official cannot change the procedures contained therein.

3. In addition, assuming for the sake of argument that the executive branch were able to issue a general order as the one you requested—which, I repeat, is at odds with the law—the employees working for companies and agencies in the Panama Canal area would hold a privileged status compared with employees who work for companies and agencies located in other areas of the country. Article 19 of the Constitution bans such privileged status.

Sincerely yours,

Manuel Solis Palma, minister in charge of the Presidency.

Bolivia

Congress To Decide on U.S. Military Support

PY0401141789 La Paz La Red Panamericana in Spanish 1130 GMT 4 Jan 89

[Text] Senator Rene Bernal has said that the aid the U.S. military engineering group will provide to Bolivia amounts to $5 million, which is the estimated cost of the improvement of the Capitan Rojas Airport of Potosi, and he called that aid positive. Bernal said that some political and labor leaders have criticized the presence of the U.S. technical group for political reasons, but he added that there are no good reasons for opposing the U.S. military support, particularly because the Potosi people themselves have understood the need for the foreign military support for the improvement of the Capitan Rojas Airport.

[Begin Bernal recording] I can tell you that Potosi will receive technical support and nonreimbursable aid worth $5 million. The airstrip will be lengthened. I believe that all Posoti institutions agree to this, because they have supported this initiative. [end recording]

It should be noted that several MNR and ADN lawmakers have said that no congressional approval was necessary because the mission coming to Bolivia is a technical one. On that basis, the Senate has approved a resolution.

Despite these statements, the issue will be considered during the next congressional session at the request President Victor Paz Estenssoro, who sent a note to Congress President Julio Garrett.

The note states that the Aeronautics Ministry has planned a 3-month military engineering exercise, to be conducted with technicians and soldiers of the U.S. Armed Forces, beginning in April 1989. The objective of the exercise is to improve the airstrip of the Capitan Rojas Airport of Potosi. The improvements call for the transportation of some 1 million cubic meters of earth from Patipati Hill. The cost of the work is estimated at $5 million, an amount the government is now unable to pay.

The note adds that the improvement of the airport is essential to allow for the operation of larger planes, and that it will be performed at practically no cost to Bolivia. This fact justifies the arrival and presence of U.S. technicians and soldiers, for which reason—the president says—I ask congress to provide its authorization in keeping with the terms of Paragraph 15 of Article 59 of the Constitution.

Yearly Inflation Rate Reported at 21.5 Percent

PY0401125789 La Paz La Red Panamericana in Spanish 1130 GMT 4 Jan 89

[Summary] The National Statistics Institute has reported that the inflation rate for 1988 was 21.5 percent, more than twice the rate of 1987, which was 10.7 percent.

Colombia

Two U.S. Missionaries, Colombian Kidnapped

PA0501013489 Bogota Inravision Television Cadena 1 in Spanish 0020 GMT 5 Jan 89

[Text]Two U.S. evangelical missionaries were kidnapped this afternoon near Florida municipality in Valle del Cauca Department while they were attending an annual evangelical conference.

The two kidnap victims, Ray Living and Richard Lloyd Gover, have been living in Colombia for the past 20 and 10 years, respectively. Elias Salazar, a Colombian, was kidnapped with the two Americans, but was released shortly afterward.

The group of kidnappers, dressed in military clothing, shouted slogans against the extradition of drug traffickers.

Banks To Refinance Foreign Debt With New Loan

PA3112034688 Madrid EFE in Spanish 2059 GMT 30 Dec 88

[Text] Bogota, 30 Dec (EFE)—Finance Minister Luis Fernando Alarcon Mantilla has announced that Colombia has reached an agreement with private international banks to obtain a $1.7 billion loan to refinance its foreign debt.

He added that Colombia has also obtained the support of the Consultative Committee of Banks, headed by the Chemical Bank, to delay a $300 million payment due during the 1st quarter of 1989 for the purpose of not becoming a net exporter of capital during that period.

The $300 million will be paid after the initial installments of the new $1.7 billion loan are received.

Alarcon Mantilla said that the agreement with the international banks will be signed in April of next year and that the repayment terms of the new loan are 12 years and 5 months with a 6-year grace period at an interest rate of 1.12 percent over LIBOR [London Interbank Offered Rate].

Colombia's foreign debt reached $16.524 billion at the end of 1988, according to the latest report issued by the Bank of the Republic.

Planning Department Releases '88 Economic Figures

PA3012201288 Bogota Inravision Television Cadena 2 in Spanish 000 GMT 30 Dec 88

[Report by Amparo Ponton]

[Text] Colombia's economy has performed satisfactorily in 1988. Figures released today by the National Department of Planning [DNP] indicate a 4.3 percent increase in agricultural production unrelated to coffee. However, there was an almost 6 percent drop in coffee production,

which resulted in a decrease in growth for the agricultural and livestock industry, going from an increase of 6 percent in 1987 to an increase of 3 percent in 1988.

Meanwhile, the industrial sector grew by almost 5 percent, the same rate as during the past 3 years. Although Colombia's mining industry grew by 5.2 percent this year, this represents a 12 percent drop from 1987. The drop is attributed to the sabotage of the oil pipelines that occurred this year.

The construction industry recovered considerably, with a 3-percent growth rate. Employment increased by 2.7 percent, which translates into 150,000 new jobs. This month there is an unemployment rate of 10.3 percent. The consumer price index, which is currently affected by the increase in gasoline prices, grew by 27.7 percent in 1988.

According to the DNP, the general outcome for Colombia in 1988, despite all difficulties, has been a good one.

DAS Highlights 1988 Antidrug Efforts

PA3012184888 Bogota LA PRENSA in Spanish 23 Dec 88 p 12

[Summary] In various operations throughout 1988, Colombia's Administrative Department of Security [DAS] has dismantled 17 cocaine laboratories and seized 149 kg of cocaine and 12 kg of cocaine paste. In urban areas such as Medellin, Bogota, Cali, Barranquilla, and Bucaramanga, narcotics agents seized 21 kg of cocaine sulfate that were going to be sold in the schools. Moreover, 105,476 kg of marijuana, packed to be shipped to the United States, were seized on the northern coast. During this same period, the police were able to disclose the drug traffickers' ties to paramilitary groups. The operation to rescue kidnapped former Mayor Sincelejo Emilio Urzola revealed the Army of National Liberation has organized a "kidnapping industry."

Confiscates Marijuana

PA3012170188 Bogota EL TIEMPO in Spanish 24 Dec 88 p 6-B

[Summary] The Rural DAS [Administrative Department of Security] in Magdalena Department has confiscated 45 tons of compressed marijuana and 570 double bales of the same drug, worth 2 billion pesos. DAS Regional Director Bernardo Alvarez reported that although no arrests were made, the case is under investigation.

Ecuador

Students Demonstrate Against Higher Prices

PA0401185489 Quito Radio Quito in Spanish 2300 GMT 3 Jan 89

[Text] Student demonstrations have taken place again. Early this morning, students from several Quito schools took to the streets to protest increases in the prices of basic products and services. Students from schools such as the National Mejia, Rafael Larrea, and Luciano Herrera Marin Schools blocked Quito's main streets and disrupted traffic. The police showed up at once to prevent the demonstrations from spreading.

Unfortunately, inflation has increased rapidly as the result of price hikes in Quito and the rest of the country. Official prices are being disregarded, and goods are being sold at prices 20 and even 30 percent above normal. It must be pointed out that neither strict price controls and their enforcement by the police nor President Rodrigo Borja's appeal for national harmony have persuaded merchants to stick with the established prices.

In addition, the people are deeply concerned over inflation, which threatens to keep increasing despite government controls.

Government Closes Diplomatic Legations

PA0501035589 Quito Voz de los Andes in Spanish 1200 GMT 4 Jan 89

[Summary] As of the beginning of this year, Ecuador has closed its embassy in Haiti and its consulates in Colon, Republic of Panama, and Hong Kong.

The last ambassador to Haiti was Horacio Sevilla, who has been appointed director of the Antonio Quevedo Diplomacy School. It was learned that there will be a nonresident ambassador in charge of the Haitian mission.

Cocaine Found on Board Eastern Airlines Plane

PA2912125788 Guayaquil EL UNIVERSO in Spanish 19 Dec 88 p 10

[Summary] During a routine inspection at the Guayaquil airport, Ecuadoran security agents discovered 4 kg of cocaine on board an Eastern Airlines plane, registration No 372-EA. The Eastern flight had originated in Cali, Colombia, and was en route to Miami, Florida. The plane will be held in Guayaquil until all crewmembers and passengers have made their statements before the authorities conducting the investigation.

Peru

Economy Minister Addresses Nation on '89 Program

PY3012155988 Lima Television Peruana in Spanish 0200 GMT 30 Dec 88

[Speech by Minister of Economy and Finance Carlos Rivas Davila; date, place not given—live or recorded]

[Text] In the name of the government I am addressing the country to inform you of the economic situation and to explain the guidelines of the 1989 economic program, which are meant to reduce inflation, stimulate production, and improve the people's standard of living. I want to warn you that this statement is to inform the citizenry and it does not mean that I am announcing any new economic package.

Here is a general evaluation of the government's economic policy:

I will not list the achievements of the government during its first 2 years in office in the areas of growth, employment, curbing of inflation, or the redistribution of income. On the contrary, I want to frankly and realistically depict the seriousness of the crisis and outline the main guidelines of the economic program, which has been designed with technical criteria and clear objectives.

We believe, however, that we must reiterate that [words indistinct] country is not only economic but also moral and social. The economic crisis is a result not only of the imbalance in the fiscal and the external sectors, which are normal factors, but of more complex problems, for example, the high concentration of income, and a disjointed productive sector which is highly dependant on foreign support, among others.

We should also recall that during the first 2 years of this administration, the economy registered an increase in domestic demand which was not, however, coupled with a modification of consumption patterns or with an appropriate reorientation of investment. That is why the increase of imports, like food products, industrial inputs, and capital goods have drained our reserves since the end of 1987.

As for the policy of prices, the prolonged freeze on basic commodity prices generated a price lag, mainly in the areas of food, fuel, and utilities, all of which increased the fiscal deficit. In addition, fiscal revenues dropped because of the reduction of indirect taxes and increased tax evasion.

This situation affected the subsidies paid to state-run companies to compensate for the difference between the cost of the goods and services that they produce and the price at which such goods and services are sold.

In view of this situation, and taking into account the disorder in the economy, the government enforced a set of corrective measures in September and November 1988. Those measures helped correct the existing imbalances.

As I said, there was a huge fiscal deficit in 1988. In addition, reserves dropped and the Central Reserve Bank paid 120 intis per dollar to the exporters and sold the same dollars at 80 intis each to the importers, thus losing 40 intis on every dollar and thereby increasing the deficit. This gap caused recession and inflation, which are two factors that had to be controlled.

In September, a great effort was made—at a high social cost—to eliminate the exchange rate deficit. A single exchange rate was adopted for both exports and imports. This measure, however, caused a 3-percent reduction of the GDP.

We now come to the increase in the issuance of money. The above measures also caused a significant increase in the price of medicines and imported food. The exchange rate was increased from 33 intis per dollar to 250 intis per dollar. This increase could not be totally transferred to consumers. It was therefore necessary to maintain and increase subsidies in the food sector in order to soften the impact of the increase. This led to a considerable reduction of the people's purchasing power, affecting domestic demand levels and, consequently, the demand for imported goods.

Despite being harsh, the measures adopted in September had positive results because they softened the imbalances. They also reduced imports and the spending of dollars, which is why the Central Reserve Bank's liquid assets grew by $150 million in the past 3 months. The negative effect of the measures is that subsidies have grown since September, drawing funds from the bank.

In November, there was a new price lag in frozen commodity prices; there was also a difference between the inflation rate and the exchange rate. Consequently, a new adjustment was necessary in order to prevent an excessive price lag. Despite these efforts however there are problems we still have to confront, like recession in the productive sector, a high inflation rate, the fiscal deficit, and the main economic agents' lack of confidence.

In this regard, I must report on the primary actions that we have taken since we assumed the ministerial post. In the area of prices and subsidies, the reduction of subsidies is an important factor in the fight against inflation, because they are a major cause of the fiscal deficit.

Between January and November, the monthly average of subsidies was $122 million. After the adjustment enforced on 22 November, we reduced subsidies to one-third of that figure in December, thus increasing the level of reserves.

We will now discuss taxes.

Selective consumption taxes were lowered to improve their performance and reduce unemployment in areas that produce nonessential goods and services. This tax reduction compensated for the cost increase in such goods and services, which registered a higher net price increase.

The administration of taxes is the next topic.

It should be pointed out that the problem will not be solved by increasing taxes but by reducing tax evasion and increasing the number of taxpayers. Very few people pay taxes in Peru, and those who pay them are paying less than what they should. Consequently, we are trying to improve the system for collecting taxes. To this end, the superintendancy for tax administration and the customs superintendancy are trying to reduce tax evasion by using modern and efficient managerial methods.

For example, surveys have been performed among many professionals. The surveys revealed situations that are really worrisome. It was uncovered that there are freelance professionals who earn 900,000 intis or more per month who declare a lower income on their sworn tax statement, or who simply submit no sworn statement whatsoever.

In view of this situation, action will be undertaken in 1989 to apply appropriate punishments. An operation has also been carried out to verify the tax obligation of over 70,000 taxpayers, and it was uncovered that about 20,000 of them are not even listed as taxpayers.

The operation for the delivery of invoices will be continued. Many businesses have been closed and tax evasion, which once stood at 60 percent, has been reduced. This operation will continue. The taxpayers directory has been reorganized and those who filed no return or owe tax to the state have been notified. Changes will also be made in the tax code and the payment of overdue taxes will be established.

The tax regulation contained in the 1989 budget established a tax collection of 3 percent of the GDP. This indicates that adequate fuel prices must be maintained at a realistic exchange rate and that generalized tax exemptions must be prevented by effectively collecting taxes from independent professionals.

Economic Program: This program covers the main objectives, goals, policies, and strategies to be implemented in 1989.

Objectives of the economic program: first of all we must reduce inflation and the fiscal deficit. We must strengthen the balance of payment and protect the standard of living of the low income sectors. Our specific objectives are:

1. Reduce the financial requirements of the public sector, support the production and investment of essential goods and services to guarantee an adequate supply in 1989.

3. [as heard] Continue with the policy of gradual correction of relative prices.

4. Prevent a greater deterioration of the terms of financial transactions.

5. Maintain the aggregate demand at an adequate level in order to prevent a drastic decrease in the GDP.

6. Strengthen exports and our relations with the international financial organizations, especially the World Bank, the IDB, the IMF and other creditors.

Viewpoints for a medium-range economic policy: The government's permanent goal will be to maintain the people's quality of life. In this regard our program is aimed at a medium-range policy until July 1990. The main macroeconomic variables are the following:

1. The exchange rate will be established in accordance with the variation of domestic costs in order to ensure adequate profits for exports.

2. The real interest rate will stay near the predicted inflation rate and will be consistent with the exchange policy.

3. The prices of energy products will reflect their real prices.

4. The subsidy policies will be selective. Direct subsidies will be granted to people with lower income.

5. The real salary of workers will cover essential goods and services.

Production and investment is our next topic.

Measures will be taken to modify the productive apparatus in order to meet domestic and world market demands. The projects for the sector will be self-supporting. If projects call for currency, they will have to generate more money than was used in their implementation.

3. [number as heard] The level of employment will be permanently increased by promoting the creation of jobs on a regional, decentralized basis.

4. Measures will be taken to promote the production of food and other basic commodities.

5. Measures will be taken to promote investment in the productive sector that turns out exportable goods, making use of our regional advantages.

Salaries are the next item.

The basic criteria in this area will be to couple the increase of the salaries earned by union workers to the increase of production and productivity. The wages of nonunion workers, and of those who earn the legally established salaries, will allow workers to buy basic products.

Foreign sector is our next topic.

We will try to obtain net quantities of currency, we will promote and expedite foreign trade, eliminating bureacratic obstacles. We will maintain the principle of coresponsibility for the debt, and we will take into account our ability to repay it.

Production is our next topic.

In 1988, the GDP will be reduced by approximately 8.4 percent. It should be noted, however, that in 1986 and 1987 the GDP grew by 9.5 and 6.9 percent, respectively. These figures reflect a positive view of the government policy.

The reduction of the GDP in 1988 was caused mainly by the drop in the manufacturing and construction sectors, which registered lower domestic demand levels. Not all productive sectors, however, performed badly in 1988. For example, for the 3d consecutive year, agricultural production grew by a rate that surpasses the population growth rate. This sector grew by 4.1 percent.

A major 20-percent growth rate, with respect to 1987, occurred in the fisheries sector. This growth is based on the increased level of catches for indirect human consumption.

In the mining sector, the reduction of the extraction of oil and a strike that lasted more than 50 days—at a time when our main export products were reaching record highs on the world market—made it impossible for us to maintain the production level of previous years. This sector registered a 17.5 percent reduction with respect to 1987.
PY3012185988

We expect to end 1989 with a positive growth rate. We expect this growth rate to increase as of the 2d quarter of 1989.

It is important to stress that the fishing sector grew by over 13 percent and the mining sector by at least 15 percent.

We want to stress that the production of essential goods has been maintained and that the prompt supply of national and foreign raw materials ensured, as a result of our production promotion program.

We have intensified the development of the appropriate infrastructure for agricultural production.

We have guaranteed prices and a market for agricultural products included on the list of priority items to promote their production.

Our main efforts will be to promote the production of agricultural and fishing resources. We will provide credit, as well as technical assistance and training.

The promotion of our tradition and nontraditional exports is an essential part of our economic policy. We will emphasize the growth of the mining and manufacturing sectors. We intend to implement a program of foreign exchange, taxation, and credit incentives to promote the growth of these sectors.

The wages of people earning the minimum salary will be indexed so as to maintain their purchasing power. Public workers will receive salary adjustment according to the availability of resources and public enterprise revenues. Public administration employees will receive increases according to their different earning levels. The 1989 public budget will try to correct the differences through a mechanism designed to standarize incomes. The government will also grant a bonus of 77 percent of the respective salaries for specialized technical jobs.

The Economy and Finance Ministry will issue the regulations necessary to implement this budget as of January 1989.

The government will try to maintain the purchasing power of salaries in the 1st half of the year through salary increases and special bonuses. Later on, salaries will increase to allow a growth of consumption necessary to avoid a recession and to promote increased production.

This policy of income distribution will make sure that the incomes of those on a salary and those working on their own will not lose their purchasing power. We will thus overcome the negative impact of 1988.

I will now discuss jobs and salaries. The decreased level of economic activity has affected the state's ability to create new jobs. The government will see that the drop in the GDP is not reflected in the job market to the same extent it affected the economy.

Despite the problem, a 1988 preliminary estimate indicates that the employment rate in greater Lima has dropped by only 0.4 percent compared to the 1987 levels.

The average real income of salaried workers dropped in 1988. It should be noted, however, that the income of nonsalaried workers did not drop by the same rate.

As for the policy that will be adopted in 1989, it should be pointed out that the government's permanent concern is to raise the income of the people. In the current situation, the step that will best contribute to this end is curbing the inflation that is burdening our economy. We believe that the adjustments should be basically proportionate to the increase in productivity. Enforcing a general price regulation policy would only raise inflation and jeopardize the stability of enterprises and of workers.

Allow me to speak about inflation. If we estimate a 40-percent inflation rate for this month, the consumer price index will reach 1,698 percent at the end of the year, with respect to December 1987. This significant inflation reflects the magnitude of the macroeconomic imbalances and the effects of the expectations of the different sectors of the economy. Yet the important thing is that these imbalances are being reduced.

A significant factor in this area has been the increased demand for funds caused by the financing of the public deficit. In view of this situation, our inflation rate target for the 1989 economic program provides for a reduction to less than 50 percent of the rate registered in 1988.

The policy of prices, which is part of the struggle against inflation, will provide for reducing indiscriminate subsidies to food products, for correcting price distortions, and for promoting the production and consumption of locally-made goods that replace imported goods.

The recent readjustment of prices for chicken, dairy products, rice, bread, and noodles is part of this policy, which has resulted in monthly reduction of subsidies of approximately 15 million intis.

In 1989, we will implement periodic readjustments to the price of subsidized products. Subsidies will thus continue to be reduced until June 1989.

At the same time, we will adopt policies to promote production and consumption of local products that may replace foreign-made products. We will also adopt a direct support program that will cost half the price of the reduced indirect subsidies program.

We must point out that the aforementioned price readjustments are being complemented by measures that guarantee the food supply in the country.

The public sector is our next subject. In 1988, the public sector registered a deficit of approximately 6.4 percent of the GDP. This deficit reflects the performance of the central government, of the nonfinancial state-owned companies, and the status of the Central Bank accounts linked with the exchange rate differences and other financial operations.

The central government deficit reached 1.1 percent of the GNP. The financial problem of the central government has been caused mainly by a drop in fiscal revenues to 7.2 percent of the GNP because of the lower level of revenues from major taxes, such as import tariffs, selective consumption taxes, fuel taxes, and income tax. Among the factors that caused a drop in tax revenues, we should mention the reduction of imports, the reduction of domestic sales, and the change in prices.

In 1989, the management of the public finances will seek to achieve a significant reduction in the public deficit, making it drop to no more than 2 percent of the GNP. Our target is a maximum central government deficit of 1.1 percent of the GNP, which is similar to the deficit in 1988 [as heard]. Nonfinancial state-owned companies are expected to reduce their deficit, which amounts to 3.8 percent of the GNP, to no more than 0.5 percent of the GNP.

It should be pointed out that this effort is based on increasing the income of the government and of state-owned companies. We can therefore maintain the programs of capital expenses and of current expenses, such as the social compensation program, that have priority precedence for this government.

State-owned companies registered a deficit equivalent to 3.8 percent of the GNP. This result reflects the change in the accounts of ENCI [National Enterprise for Industrial Marketing], (?DICASA) [expansion unknown], Petroperu [State Petroleum Agency], and Electroperu [Peruvian State Electric Power Enterprise]. This result also reflects the subsidies of food products granted through the two first companies. As for Petroperu, its deficit has been caused mainly by a policy of prices that has been inappropriate for its operational requirements.

Consequently, in 1989 the fiscal policy will aim to reduce the fiscal deficit through a policy of austerity and through the generation of higher revenues.

As for central government spending, our policy will seek to restructure spending based on productive investment, on an evaluation of all projects, and on the formulation of a new list of priorities, particularly for new projects. We will analyze the use of the income of various sectors of the central government. Superfluous spending will be eliminated and the burden will be distributed among all Peruvians, without any type of privilege whatsoever. The follow-up and control mechanisms for the implementation of public investment projects will be improved.

We consider that this policy is fundamental, because not only will it set a list of priority projects, but it will also promote efficiency, which is necessary for an economy in crisis and with few resources.

The funds earmarked for peasant communities will be reassigned following selected criteria, in order to promote their own productive activities.

We will reduce the deficit of state-run companies by promoting managerial efficiency and by selecting specific targets. We will improve the permanent system for evaluating the financial, economic, and administrative performance of state-run companies. We will enforce the law on the entrepreneurial activities of the state, particularly as it refers to the restructuring of companies. We will proceed with the announced sale of public companies.

The proper management of tax revenues and the ability of the state to collect taxes are essential preconditions for successful tax management. A country may have a fiscal policy, but if the administrative agency is unable to reach the selected targets, the fiscal policy will be nothing but a set of good intentions.

The sector in charge of the administration of tax revenues will redouble its efforts to fight tax evasion. It is important to note that a program has been designed by

which public notaries, brokers, banks, and municipalities must inform the national tax administration superintendancy of all transactions performed through them. This measure will improve the data bank used in doublechecking tax information.

Likewise, as of 1989, a single billing system will be enforced, allowing for tighter control on all transactions and preventing tax evasion. A set of amendments to the tax code has just been approved. The relations between the fiscal sector and the taxpayers will thus be regulated. Measures will be taken to allow the fiscal agent to discharge efficiently its control and managerial duties.

Concerning the customs administration, the auction committee will be reorganized in order to empty the customs storage facilities as soon as possible. The collection of bad checks will be enforced and the agencies involved will be punished. A commission to enforce the collection of debts through legal means will be designated, thus increasing customs revenues. All pending administratives cases will be expedited.

Concerning the administration of the budget, the government is pursuing the objectives of the economic program, observing three essential criteria: austerity in spending, efficiency, and regionalization and decentralization of resources.

In the area of current expenses, we will attach particular emphasis to basic social services like education, food, employment, national security, and direct assistance programs, so that we may give more benefits to the people.

As for public investment, we have provided for major allocations for projects in the areas of agriculture, education, health, sanitary facilities, transportation, and communications. We have strongly emphasized the projects being implemented in the provinces as part of the regionalization and decentralization effort. In this regard I would like to stress that the government is firmly determined to promote the decentralization of funds by providing support to departmental development corporations, to microregions, and to peasant communities, especially the Andean trapeze, which will receive 22 percent of all investments.

Public investments will be made according to the following priorities: Chavimochic: basic infrastructure, sports facilities, university infrastructure; (majsij chineja): complete health services; (equetepec ezana): complete river lines, the Central-Southern mountains project and the Olmos project, among others.

Now let me move to the foreign field. The 1988 balance of payments had a $350-million deficit as a result of the subsidies given to nonprofit public services [egresos netos].

We reduced the trade balance deficit from $463 million in 1987 to $67 million this year. This was the result of an 11-percent reduction of our imports and a small 2-percent increase of our imports [as heard].

It must also be pointed out that since the 2d half of the year, and especially after the measures adopted in September, we have had a surplus in the foreign exchange balance, in contrast to the deficit recorded in the 1st half of the year.

It must be pointed out that our annual exports hardly increased— due to shipping problems, especially with mining products. This made Peru lose more than $340 million at a time of favorable international prices.

In 1988 the country suffered the consequences of a drop in international oil prices. This means that our foreign currency income fell to $70 million. It must be stated that Peru purchased $67 million worth of oil from abroad and spent as much on food imports as in 1987.

After 3 consecutive years of deficits in the balance of payments—$517, $785, and $360 million [as heard]—this trend will be reversed in 1989, when Peru will record a surplus in its balance of payments. This positive result will not include the additional income we will obtain as a result of our resumption of relations with international financial organizations. We expect exports to grow by nearly 10 percent.

The foreign exchange policy for 1989 will be aimed at increasing our hard currency reserves, so as to promote economic growth. With this in mind, and in order to support exports and to guarantee our competitiveness abroad, the exchange rate for exporters will be maintained at a level close to the real exchange rate to prevent the overvaluation of our currency.

We will also prevent the formation of a gap between the official and unofficial exchange rates, which we worked so hard to eliminate in September 1988.

It must be pointed out that the exchange rate, which is based on the inflation rate registered in our country and in the other countries with which we maintain trade, is only 611 intis per dollar and 740 intis per dollar. In this case, we are only taking into consideration the inflation rate in the United States, where we send 28 percent of our exports.

From the technical point of view, the official rate is much lower than that on the informal market. We, therefore, ask the people to be prudent and to ponder the fact that, although foreign currencies cannot be easily obtained, this alone cannot explain why the dollar sold on the informal market increased by 8,400 percent from 1987 to 1988, while at the same time the inflation rate totalled only 3,600 percent.

We must emphasize that the foreign trade policy will stimulate more exports, and that policies will be flexible enough to adjust to the fluctuations of the international market. The stimulus will be based on an effective exchange rate that will be gradually adjusted to preserve the parity.

Foreign investment that brings foreign currency to the country will be welcome, provided that Peruvian sovereignty is respected. We will guarantee the investors' right to repatriation, profit, and capital.

In this regard, we consistently confirm our anti-imperialistic principles based on the APRA ideals as expressed by Victor Haya de la Torre in his 1927 writing: "Anti-Imperialism and the APRA."

Another important aspect of our foreign policy refers to the foreign debt. According to our well-known sovereign position of restricting our payments to 10 percent of our exports, our policy will continue within these same terms: to repay the debt according to our capacity to pay.

We will also continue the policy of paying the debt with Peruvian-made products, thus increasing the export of nontraditional products, broadening our markets, bringing more foreign currency into the country through sales in cash, and obtaining export credit for the purchase of goods and services.

We must also remember that the debt can be converted into investment and that the rules on how to do so have been recently published.

Public opinion now admits that creditors and debtors share responsibility for the debt, and realizes that the options offered so far are merely partial solutions. Protectionist measures must be suspended and the terms of trade must be improved. The Peruvian Government thus tries to harmonize its economic policies with the need to honor the foreign debt. It tries to be consistent with the Group of Eight presidents' position. It also tries to comply with the decisions made by our economy ministers, who met in Rio de Janeiro to discuss the foreign debt and obtain credit for the development projects required by each of our countries.

I will now discuss monetary and credit development. In 1988, the nation's money supply increased by nearly 400 percent in nominal terms, representing a real reduction of business activity on the order of 74 percent. In this context, the bank credit in national currency for private activities decreased by about 80 percent. At the close of 1988, the liquidity of the banking system in national currency represents approximately 5-6 percent of the GDP. This low ratio of liquidity to GDP reflects a reduced financial intermediation. It also reflects the potential inflationary risks involved in financing a fiscal deficit on the order of 5 percent of the GDP, inasmuch as it would demand tripling the existing money supply.

The government's economic program for 1989, therefore, aims at reducing the Central Bank credit to the public sector to a level compatible with the rate of inflation; at strengthening the country's international reserves; and at increasing in real terms the credit assistance to the productive sector, particularly to the agricultural and export sectors. In 1989, we will try to promote domestic savings and to strengthen financial intermediation. We will try to achieve this through an adequate and pragmatic interest rate policy. Likewise, the credit policy will be oriented to meeting the requirements of productive activity on a priority basis. In sum, the expansion of the money supply will be consistent with the objectives of controlling inflation and increasing international reserves.

Special programs will be part of our strategy. One will be a program of social compensation to be used as a temporary instrument of our economic policy, consisting of the planned implementation of social programs for assistance and production. These programs will be executed in the areas of health, education, employment, and food, as required by the population in the short run to alleviate the effects of the crisis, especially in the lower income brackets. The program will be targeted on the poor families and the social groups subject to extreme hardships, such as the unemployed, the undernourished, the youth, the elderly, and the communities displaced by political violence.

The social compensation program contemplates the following actions. There will be support for nursing mothers, children under 6 years of age, and the high-risk population requiring health care. The National Nutrition Program, PAN, will be continued through a monthly allocation of foods to community organizations and public soup kitchens, as well as through the sale of a basic food basket to the country's poorest families at preferential prices. The Temporary Income Support Program, PAIT, will be continued in the marginal urban and rural sectors, because of its productive character. Mechanisms will be established in community organizations to support activities such as the Milk Cup. The program to support shelters and refugee homes will be continued, and the food stockpiles for emergency programs managed by Civil Defense will also continue to be supported. The purchasing power of the minimum salary will be maintained so that it meets the need for essential calories and protein.

[Text] We will administer and centralize a social aid fund that will attract national and international donations to make the program economically and financially self-sufficient. We will support people of lower income sectors with a program to supply essential medicines, school supplies, and subsidized transportation. We will continue regular programs financed with foreign donations, the use of matching funds, and programs related to the supply of gas, kerosene, and water.

Our social compensation program includes continuing the National Nutrition Program, PAN, created last September. It will also protect an essential family basket.

The social compensation program also acknowledges the importance of the milk ration and of maintaining soup kitchens. It will continue a transportation subsidy that Peruvian workers already get.

We will continue to distribute bags of food under the framework of the PAN. We will continue to supply food to the Caritas Organization in Lima and Callao, and we will continue to grant compensatory resources to maintain the price of the rations given at the soup kitchens and the mothers clubs, through the direct assistance program, PAD.

In 1989 we will continue the milk ration program, which attempts to distribute up to 1 million milk rations per day. The importance of this program lies in the fact that children under the age of 6 benefit from it and it is implemented by 7,000 committees that support the program in 1,250 towns. The cost of this program amounts to 2.035 billion intis. The direct assistance program is especially important due to the assistance it grants to soup kitchens, workshops, orphanages, and in the free distribution of food. During 1989 a total of 500 soup kitchens will be maintained, and support will be granted to the Temporary Income Support Program, PAIT.

We plan to generate 100,000 new job opportunities for unemployed youths and women. We must also point out the support granted for the development of 5,000 peasant communities that are now nonproductive and the financial aid granted to the Institute for the Development of the Nontraditional Sector [Instituto de Desarrollo del Sector Informal—IDESI].

We recently drew up the special donations program for foodstuffs and medicines that will increase the traditional donations to Peru by other countries and international foundations and organizations. Therefore, we thank our brother countries for their support for the social compensation program to aid the most needy Peruvian families.

The sources of the social compensation fund, which will be channeled as direct subsidies to the poorest sectors, will consist of: allotments by the treasury—the national budget earmarks approximately 67 million [intis] for 1989; funds obtained through vouchers, social aid bonds, and other tools created by the government to support the social compensation program; resources from international financial cooperation, both bilateral and multilateral; goods for the creation of matching funds; nonreimbursable donations; and food donated for direct distribution.

Now I will turn to the supply of products. Through its economic program, the government guarantees the appropriate supply of products for 1989. Therefore the Agricultural Ministry, the Economy and Finance Ministry, and the National and Central Banks are coordinating actions to obtain the necessary foreign food supply through agreements with friendly countries of the region, so as to prevent food shortages next year.

Nevertheless, I must reiterate that we will continue to concentrate on achieving economic growth, especially in the field of agriculture, to correct the prices of imported food which compete with those of our impoverished peasants.

I would also like to reiterate that the financing of the current agricultural campaign has maximum priority in our economic program. Therefore, the reduction of imbalances will increase our financing resources so as to guarantee production and income for our farmers.

Let me talk about negotiations with the international financial organizations. The Peruvian Government is carrying our specific actions within the negotiation process with the international financial organizations.

I want to inform the country that we held high-level talks with the IMF technical group and with Mr (Simbucta), an IMF special adviser who came to Lima.

As a result of our talks with them and others, in January we will receive in Lima special missions from the IMF, World Bank, and the IDB. Furthermore, in recent talks in Rio de Janeiro IDB President Enrique Iglesias expressed his desire to help Peru.

I also want to report that we will soon attend the special bank governors meeting organized by the IDB in Washington. At this meeting we will discuss the bridge loan and future disbursements required by Peru.

I must also point out the goodwill demonstrated by several friendly countries. The results of all these talks will eventually be reported to the whole country.

We are stating the policy we will follow in our relations with the international organizations. We will follow a very active policy in 1989, aimed at obtaining the credits and financial aid for the development projects the country needs as soon as possible.

I will now say a few words about the national solidarity economic pact. When we proposed the national solidarity economic pact in the Senate we said—and now we confirm—that the main objective is to promote a great national agreement among the economic, political, and social agents, because the success of the economic program is based on the effort and full commitment of all society. This means that society must reach an agreement and commit itself to objectives that transcend short-term needs, with the main goal of curbing inflation.

To this end, the government commits itself to complying strictly with this economic program. As we commit ourselves to development, we ask the business sector to maintain levels of production and supply that can meet internal demand, to maintain reasonable profit margins so as to promote the expansion of the market for the benefits of all concerned, and to pay taxes as promptly as all the people do.

We must establish minimum growth targets for private productive investments and exports to boost our economy. We must assume a dynamic attitude in the search for new international markets, and we must seek agreement and dialogue with workers and businessmen, as we have been doing in recent days. The state will exert its best effort to prevent dismissals of workers, to promote higher employment levels, and to improve the working conditions and remuneration of the labor force. It is also our objective to improve the quality of goods and services quality. We will strive to assume a permanent innovative attitude toward the production and marketing process by developing new processes that will bring the productive apparatus to its optimum and most dynamic operation.

It is a matter or playing a true entrepreneurial role, devoid of any speculative intent. We ask the workers to assume a responsible attitude toward the crisis and to act, within the enterprises, in defense of the community of consumers and of the state that represents civilian society. The workers must base their demands strictly on labor interests, not on any political interest. As they try to increase productivity within each enterprise and as they establish specific goals, the workers are asked to keep the overall interest of society in mind. Salaries must be set by taking into account the particular conditions of each enterprise and the need to preserve the power to purchase essential needs. Finally, the states ask all Peruvians to help improve the productive, economic, and financial situation. They can do so at their respective jobs by suggesting new technical and administrative processes and by finding ways to save the scarce resources at hand.

In sum, we are all under the obligation to contribute actively to the solution of the problems that beset us. I commit my administration to the development of the program I have now presented, and I assure the country that we do have a program for which I assume full responsibility.

I commit my efforts and my term in office to the implementation of the program that I have just presented to you. I take full responsibility for the implementation of this program, and I count on the full support of my party and the government.

I again call on you all to support the solidarity economic pact so that all of us Peruvians can cooperate in overcoming the current serious crisis and thus walk the correct path that may bring benefits to Peru.

I address you not as an economy minister but as a Peruvian who is committed to his country. I assure you that 1989 will be better than 1988. My final message is to repeat that, despite the pessimistic, the prophets of doom, the heralds of disaster, we are convinced that the Peruvian problems can be solved. Let us unite to overcome the crisis and the inflation. Let us maintain our faith in the future of our fatherland. Let us never succumb to pessimism or defeatism. The hard times will pass as the administrations will also pass.

Peru and its grandeur, however, will never pass. All we need is to be convinced that we will win. Viva Peru. Thank you very much.

'Controversy' Over Fishing Contract With Soviets

Judge Suspends Contract

PY0401172889 Lima Television Peruana in Spanish 1100 GMT 4 Jan 89

[From the press review section by Oscar Eduardo Bravo]

[Text] Today, 4 January 1989, the oldest Peruvian newspaper, EL COMERCIO, carries a front-page color picture of Soviet ships anchored at Callao port. As you can see, the picture shows 2 of the 15 large Soviet factory ships anchored yesterday at Callao port for maintenance.

EL COMERCIO reports that there is an ongoing controversy over a court decision suspending the Soviet-Peruvian fishing contract. Yesterday 15 Soviet ships were seen 1 and ½ miles off the port of Callao, apparently preparing to fish in Peruvian waters. It remains to be seen whether a writ of amparo issued by a Paita judge will stand. The judge ruled that the Peruvian-Soviet fishing contract be suspended.

According to fishermen from Callao, the Soviet ships arrived early on 2 January and some of them, having taken on supplies, had already left Callao for an unknown destination.

EL COMERCIO reporters said the Soviet ships were anchored by the Maritime Industrial Service shipyards, near the Callao pier, and that the Soviet crewmen were busy in maintenance tasks.

Callao port authorities said they had no information about the Soviet ships. They said no Soviet representative has requested authorization to leave the port to start fishing off the Peruvian coast.

According to reports from Paita, no Soviet trawler or factory ship has anchored in that port.

Another report from Paita says that Judge Socorro Nizama Marquez has decided to make a personal inspection of the port of Paita. Judge Nizama, who issued the writ of amparo against the Soviet-Peruvian contract at the request of CONAPRES [expansion unknown], yesterday said her decision was legally sound and that she was not subjected to any type of pressure.

Commenting on Judge Nizama's decision, Raul Ferrero, the outgoing president of the Bar Association, said the writ is fully valid. Ferrero said all court decisions must be complied with. Either party can appeal her decision, but in the meantime the writ of amparo suspending the Peruvian-Soviet fishing contract must stand.

Ismael Prevost Gomez, the under secretary for fisheries, has stated that a legal adviser of his ministry has appealed Judge Nizama's decision. He added that another petition has been filed to request that the case be heard in Lima instead of Paita.

Judge's Action 'Null and Void'

PY0401211689 Lima Television Peruana in Spanish 0100 GMT 4 Jan 89

[Text] Attorney General Alberto Ruiz Caberes has announced that action has been initiated to file a nullification appeal against the preventive resolution dictated by the judge of Paita which suspends the fishing agreement signed between the Governments of Peru and the Soviet Union.

[Begin recording] [Ruiz Ceberes] Article 29 of Law 23506 on writ of amparo and habeas corpus establishes that the writ of amparo must by filed with the lower court civil judge with jurisdiction over the place where a right has been violated, or where the person whose right has been violated resides, or where the person who violated the right resides. According to Article 11 of Law 17537 on defense of the state's judicial system, a motion can be made against the state only before the judges in the capital of the Republic, provided the provisions of existing laws have been complied with and provided all administrative expedients available in the case have been exhausted.

These laws leave no room for any exception. Any court action that does not comply with these legal provisions will be automatically turned down, and the interested party will be so informed, under the judge's responsibility. Law 23506 specifically—under Title 6 on Various and Final Provisions, Article 45—voids several legal provisions, laws, and decree-laws. However, Article 11 of Law 17537 does not expressly void any existing legal provisions. So, in accordance with our judicial system, as long as a law or an article of a law is not revoked, that law or article is in force.

Therefore, the action against the state should have been filed in Lima. Since those legal provisions have been disregarded, the preventive resolution dictated by the judge from Paita is null and void.

[Reporter] So what is the procedure now to counteract the Paita's judge ruling?

[Ruiz Caberes] A prosecutor for the fishing sector from our office is about to travel—or maybe he has already traveled—under orders from the supply superintendent to appeal the Paita judge's preventive resolution, which must not be confused with a sentence. Therefore, since the judge dictated that resolution in the exercise of her discretionary power, it is not mandatory as a sentence would have been.

Therefore, the terms and conditions of the contract signed between the Governments of Peru and the Soviet Union are fully in force. [end recording]

Minister on Reestablishing Civilian Officials

PY0401165689 Madrid EFE in Spanish 0301 GMT 4 Jan 89

[Text] Lima, 3 Jan (EFE)—Peruvian Defense Minister General Enrique Lopez Albujar today said that the reestablishment of civilian authorities in the towns where they resigned following terrorist threats is one of the basic steps in the struggle against subversion.

The minister added that as soon as these vacancies are filled it will be possible to implement activities to improve the standard of living and the status of the poor.

Lopez Albujar stressed that the struggle against subversion will yield more positive results as soon as civilian authorities are reestablished and as soon as actions to repress subversion are supported by development projects for the towns involved.

The minister described the situation created by terrorism as serious because terrorism is an enemy "that does not act openly." The "danger" is increased because terrorism destroys all development activities, serving the terrorists' desire to disrupt constitutional order and destroy the foundation of society.

Lopez Albujar urged Peruvians to recognize the threat posed by subversion and to become aware of the importance of their responsibility in helping to eradicate the terrorist groups.

Reports datelined Junin Department, in the Central Andean area of Peru, state that in December 1988 at least 100 government officials, including mayors, governors, and deputy governors of towns in the eight provinces of Junin Department resigned their posts following death threats by the "Shining Path."

Similar situations, although not as serious, occurred in other locations in the country where this Maoist group operates.

Eight of the 24 departments into which Peru has been politically divided—Ayacucho, Apurimac, Huancavelica, Huanuco, Pasco, San Martin, Junin, and Lima—are now in a state of emergency due to terrorist activities.

Over 50 percent of the country's population, totaling 22 million inhabitants, is concentrated in those departments.

Palomino Installed as New Joint Staff Chief

PY0401135389 Lima Television Peruana in Spanish 1100 GMT 4 Jan 89

[Text] In a brief ceremony attended by the commanding officers of the Armed Forces, General Artemio Palomino Toledo was installed yesterday as the new chief of the Armed Forces Joint Staff.

New Supreme Court President Sworn In

PY0301024789 Lima Television Peruana in Spanish 0100 GMT 3 Jan 89

[Summary] Oscar Alfaro Alvarez was today sworn in as the new president of the Supreme Court of Justice.